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Sustainable Development Strategy 2004-2006



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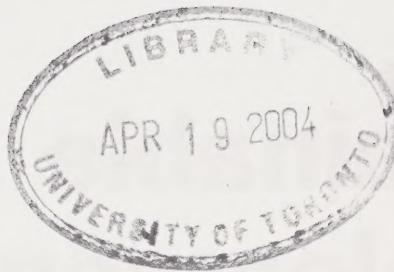
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Sustainable Development Strategy 2004–2006



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Executive Summary

This Sustainable Development Strategy (SDS), for the period of 2004–2006, is the Department of Finance Canada’s second update of its original SDS tabled in Parliament in December 1997. The original strategy covered the years 1998–2000 and proved to be a valuable tool for illustrating how the federal government’s fiscal and economic plans were contributing to sustainability in Canada. It also outlined the Department of Finance’s approach and contribution to environmental objectives and international sustainable development issues, and showed how we would improve environmental performance in our own operations. The central goal of the 1998–2000 SDS was a commitment to improving Canadians’ quality of life and improving the Government’s ability to address Canadians’ priorities.

Finance’s first update of its strategy, covering the years 2001–2003, focused on priority areas where the Department could make unique and important contributions to sustainable development in Canada and internationally. It identified many of the key issues, goals and commitments that have been carried forward into this second update of the strategy.

The 2004–2006 SDS is built upon the solid foundation provided by the previous two versions. It was also shaped by suggestions received from other departments and external stakeholders. In addition, the Department’s own experiences and lessons learned played a key role in the strategy’s development. The 2004–2006 SDS also draws upon guidance provided by the Commissioner of the Environment and Sustainable Development and by the Deputy Minister level Environment and Sustainable Development Coordinating Committee. This committee has been working to develop a federal vision for sustainable development and establish priority areas for government action. Finance’s 2004–2006 SDS includes commitments to help address several government-wide initiatives. Further, the Department has developed a vision for sustainable development, which highlights how the Department plans to contribute towards achieving sustainable development in Canada and the role it can play in the development of an overall Government of Canada vision for sustainable development.

The Department of Finance Canada's Vision for Sustainable Development

The Department of Finance Canada will strive to ensure that economic and fiscal policy decisions and frameworks contribute to economic growth and enhanced quality of life and allow current and future generations to meet their economic, social and environmental needs.

This 2004–2006 strategy confirms Finance's key sustainable development goals as those first identified in the 2001–2003 SDS:

- Promoting intergenerational equity through effective fiscal management.
- Continually striving to more fully integrate economic, social and environmental considerations and objectives into policy making.

In pursuing these goals, the Department will continue to group its activities over the upcoming three years under four theme areas or “key issues”:

1. Building the Future.
2. Integrating the Economy and the Environment.
3. Integrating Sustainable Development in the Global Economy.
4. Greening Operations.

The actions Finance plans to undertake in this pursuit include: maintaining and improving Canada's fiscal health; strengthening society through the Department's management of federal-provincial/territorial transfer programs; implementing initiatives through the budget process to respond to the Government's sustainable development priorities; building on the Department's analytical foundation; maintaining awareness within the Department of the departmental process for conducting Strategic Environmental Assessments on Finance-initiated proposals; participating in efforts to address globalization of the economy and understanding the links to environmental concerns and international competitiveness; working with international financial institutions (such as the International Monetary Fund, the World Bank and the European Bank for Reconstruction and Development) to help promote sustainable development within their operations and policies; continuing Finance's sustainable development commitments related to negotiations on international environmental agreements and trade agreements; and undertaking efforts to reduce the harmful environmental effects of the Department's own internal operations. Section 3.4, “Sustainable Development Action Plan for 2004–2006,” provides a summary of the Department's planned actions, while more details can be found in Section 5, “Detailed Commitments.”

This document also highlights the renewed approach for managing the Department's implementation of its Sustainable Development Strategy. This includes the designation of a sustainable development champion and new roles for senior management and officials in ensuring the strategy's full implementation, assessment and evolution. To help manage the integration of the environment into decision making and further the implementation of the 1999 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals, the Department has also launched a new process to raise awareness and guide officials. Details of the management approach for SDS implementation can be found in Section 4, "Performance Measurement, Management and Accountability," while information on the Department's new Strategic Environmental Assessment process can be found in Section 5.2.2, "Objective 2b: Increasing the Knowledge Base Through Integrated Decision Making."

Finance's 2004–2006 Sustainable Development Strategy should be viewed in the context of important government-wide policy changes that have taken place in Canada since the Department's last update to its Sustainable Development Strategy was developed three years ago. Developments such as Canada's ratification of the Kyoto Protocol and the announced restructuring of the Canada Health and Social Transfer have affected the Department's planned actions. Details on the policy context in which the Department operates can be found in Section 3.3, "Evolving Policy Context."

Finance's 2004–2006 Sustainable Development Strategy is designed to illustrate how the Department can best contribute to advancing sustainable development. As always, sound policy making will inevitably play a key role. In our view, the commitments in Finance's 2004–2006 Sustainable Development Strategy to improving communication and cooperation and to building a more integrated knowledge foundation will help contribute to the Government's overall decision-making abilities and policy making on sustainable development objectives. In undertaking these actions over the next three years, the Department recognizes that fully achieving sustainable development will take time and continued effort. This requires that we take a long-term strategic approach to where we want to go, while continuing to commit to actions that lead us along this path. In our view, sustainable development implies an ongoing process of experience, learning and change—it is a journey as much as it is a destination.

Section 1: The Department of Finance Canada and Sustainable Development

1 Introduction

Sustainable development has become a key goal of public policy within Canada and internationally. Through amendments to the Auditor General Act in 1995, the Government of Canada established the Commissioner of the Environment and Sustainable Development within the Office of the Auditor General of Canada. The amendments to the Auditor General Act also required that ministers prepare Sustainable Development Strategies outlining their departments' objectives and plans for action to further sustainable development, and that the strategies be updated at least once every three years. This requirement has enabled departments to engage in a long-term process of considering how they can better contribute to sustainable development. Finance initially tabled its Sustainable Development Strategy in December 1997, which covered the years 1998–2000. The first update to the SDS covered the years 2001–2003. The 2004–2006 SDS is the second update.

1.1 Defining Sustainable Development

“Sustainable development” (SD) is defined in a variety of ways. The Department of Finance has adopted the definition included in the Auditor General Act. The Act uses the definition identified in the 1987 Report of the World Commission on Environment and Development (the “Brundtland Commission”), in which sustainable development is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”¹

¹ The World Commission on Environment and Development, *Our Common Future* (New York: Oxford University Press, 1987), p.43.

To better assist federal departments in viewing sustainable development through the lens of their own mandates, the Auditor General Act provides a further elaboration of sustainable development as:

a continually evolving concept based on the integration of social, economic and environmental concerns, and which may be achieved by, among other things,

- (a) the integration of the environment and the economy;
- (b) protecting the health of Canadians;
- (c) protecting ecosystems;
- (d) meeting international obligations;
- (e) promoting equity;
- (f) an integrated approach to planning and making decisions that takes into account the environmental and natural resource costs of different economic options and the economic costs of different environmental and natural resource options;
- (g) preventing pollution; and
- (h) respect for nature and the needs of future generations.²

This definition makes it clear that achieving sustainable development is a challenge that requires action by many actors, including the international community, national governments, sub-national and local governments, industry, organizations and individuals. The Government of Canada has a strong role to play in promoting sustainable development. The 2004–2006 Sustainable Development Strategy describes how, within the scope of its overall roles and responsibilities, the Department of Finance Canada will make progress in key areas.

1.2 Departmental Profile: The Department of Finance Canada

The Department of Finance Canada is the Government's primary source of analysis and advice on the broad economic and financial affairs of Canada. Probably the most well-known responsibility of the Department is its preparation of the annual federal budget—one of the key mechanisms by which the Government implements its overall agenda.

In addition to preparing the budget, Finance plays an important role in assisting the Government in developing and implementing policies that foster growth, create jobs and promote a secure society. It does this by undertaking policy development work and providing analysis and advice. This policy role has both internal and external dimensions. Policy development takes place within the Department on those issues and areas of responsibility that fall within the Department's own mandate. In fulfilling this internal policy development role, the Department is responsible for:

- Analyzing the economic and fiscal situation and prospects for Canada and other countries important to our economy.

² Auditor General Act, 1995, c. A-17, s. 21.1.

- Providing analysis, advice and recommendations on tax and tariff policy and developing tax and tariff legislation.
- Providing analysis and advice related to the setting of the annual employment insurance premium rate.
- Administering major federal funding transfers to the provinces and territories;
- Developing the investment policy framework and financing for the Canada Pension Plan in conjunction with the provinces.
- Representing Canada within international financial institutions and international economic and trade fora.
- Developing regulatory policy for the country's financial sector.
- Managing federal borrowing on financial markets.
- Developing policies for, and advice on, the financial sector and financial markets, including initiatives on combatting money laundering and terrorist financing.

The Department's external or "central agency" role includes providing analysis and advice on the policy and program proposals developed by other government departments. In its central agency capacity, Finance officials serve as members of a broader team that includes federal officials from other departments, and they review options for, and the implications of, proposals that are presented to the federal cabinet. Finance focuses its advice primarily on the economic and fiscal implications of these policy and program proposals from other government departments.

It is important to understand Finance's core roles and responsibilities in order to identify the areas where the Department's Sustainable Development Strategy can most make a difference in advancing SD. For example, as a policy-oriented department, Finance has limited direct involvement in delivering programs or services to Canadians. That being said, it has a clear role to play in contributing to the Government's overall sustainable development efforts. The Department's Sustainable Development Strategy identifies how we can best enhance our policy development, analysis and advice activities to further SD.

Finance's core contribution to sustainable development is contained within its two fundamental SD goals, which are closely linked to the Department's mandate:

- Promoting intergenerational equity through effective fiscal management.
- Continually striving to more fully integrate economic, social and environmental considerations and objectives into policy making.

These goals were established in the Department's 2001–2003 SDS and continue to provide the foundation for the 2004–2006 SDS.

Section 2: The 2001–2003 Sustainable Development Strategy: Key Achievements and Lessons Learned

2 Introduction

To achieve the Department's goals of promoting intergenerational equity through effective fiscal management and continually striving to more fully integrate economic, social and environmental considerations and objectives into policy making, the Department of Finance's 2001–2003 SDS contained actions based on four key issues that encompassed the key sustainable development activities and opportunities for the Department. These were:

- Building the Future.
- Integrating the Economy and the Environment.
- Integrating Sustainable Development in the Global Economy.
- Greening Operations.

Since the release of that report in 2001, the Department has undertaken a variety of initiatives in order to meet its sustainable development goals. This section highlights those achievements.

2.1 Key Achievements

2.1.1 Fiscal Management

Sound fiscal management is fundamental to promoting intergenerational equity by helping to ensure that future generations are able to meet their social, economic and environmental goals in the long term. This has been achieved through:

- Maintaining a balanced budget or better and reducing the nation's debt burden.

Budget 2003 projected a balanced budget or better in 2002–03. In October 2003 the federal government announced that it recorded a budgetary surplus (based on full accrual accounting) of \$7.0 billion in 2002–03. This marked the sixth consecutive year the federal budget has been in

surplus. As a result, the federal debt (as measured by the accumulated deficit) was reduced to 44.2 per cent of gross domestic product in 2002–03 from its peak of 68.4 per cent in 1995–96. Significant debt reduction over this period provided the Government with the flexibility needed to make substantial investments in key areas of national interest, such as health care, the support of Canadian families and the environment.

- Ensuring the stability of the Canada Pension Plan (CPP).

Federal and provincial finance ministers, as part of their statutory review of the CPP, confirmed early in 2003 that the plan is on secure financial footing. According to the Chief Actuary, the 9.9-per-cent contribution rate that took effect on January 1, 2003—the final step in fully implementing the 1997 federal-provincial reform package—should be sufficient to sustain the plan for more than the next 50 years.

2.1.2 Social Development

Strengthening social programs helps to ensure that current and future generations will have the opportunity to enjoy a high quality of life. Accomplishments in the area of social development over the last three years have included:

- Increasing funding for health care and early childhood development and restructuring the Canada Health and Social Transfer (CHST).

As part of the 2000 first ministers' agreements on health renewal and early childhood development, the federal government committed \$23.4 billion over five years. This included \$2.3 billion in targeted funds and \$21.1 billion of additional cash over five years to ensure stable, predictable and growing funding under the CHST. This investment brought the total cash transfer to the provinces and territories through the CHST from \$15.5 billion in 2000–01 to \$18.3 billion in 2001–02 and \$19.1 billion in 2002–03. Combined with the growth in the value of CHST tax points to \$16.2 billion in 2002–03, the total CHST transfer to provinces and territories grew to \$35.3 billion in 2002–03.

Building on the 2000 agreements, first ministers reached a new Accord on Health Care Renewal in 2003, which will see increases in federal support through transfers and targeted funding reach \$17.3 billion over three years to 2005–06 and \$34.8 billion over five years to 2007–08, relative to 2002–03 levels. This amount includes \$16 billion over five years, starting in 2003–04, in the form of a new Health Reform Transfer. Further, the existing five-year CHST funding track was extended for an additional two years to 2007–08, and the Government provided an additional \$900 million over five years for early learning and child care initiatives. Cash transfers will grow from \$19.1 billion in 2002–03 to \$22.6 billion in 2007–08 (\$28.1 billion including the Health Reform Transfer).

2.1.3 Environmental Protection, Improvement and Management

To help ensure a healthy environment for future generations, it is important to ensure that the environment is managed in a sustainable way today. Over the last three years the Department was able to play a role in implementing new environmental initiatives through its responsibility for preparing the federal budget. For example:

- Budget 2001 provided \$385 million over eight years to establish the green municipal funds and implement the Wind Power Production Incentive to encourage the generation of renewable energy in Canada.
- Class 43.1 describes certain renewable energy and energy efficiency equipment that qualifies for an accelerated capital cost allowance rate of 30 per cent. The Department announced changes to Class 43.1 in the 2001 budget to include additional small hydroelectric facilities and equipment that uses blast furnace gas to generate electricity. Consultations were also conducted in 2002. Certain stationary fuel cell systems, equipment acquired for electricity generation using bio-oil and certain types of equipment used in greenhouse operations were proposed additions announced in Budget 2003. The Department will continue to review the list of eligible investments under Class 43.1.
- Budget 2003 announced funding of \$2 billion over five years to help implement the Climate Change Plan for Canada, including \$250 million for Sustainable Development Technology Canada and \$50 million for the Canadian Foundation for Climate and Atmospheric Sciences in 2003–04. The remaining \$1.7 billion is to be allocated towards other cost-effective measures to reduce greenhouse gas emissions in Canada in such areas as energy efficiency, renewable energy, sustainable transportation and new alternative fuels.
- Budget 2003 also provided \$1 billion over five years to address federal contaminated sites; improve air quality; better assess and manage toxic substances; further protect Canada's species at risk; support implementation of Canada's commitments at the World Summit on Sustainable Development; upgrade, maintain and monitor water and wastewater systems on First Nations reserves; and commence the establishment of 10 new national parks and 5 new national marine conservation areas and restore the ecological health of existing parks.
- Finally, recent budgets have announced strategic investments in infrastructure. The Canada Strategic Infrastructure Fund, initially announced in Budget 2001, is designed to provide support to large infrastructure projects in areas such as water and wastewater treatment and local transportation. In Budget 2003 the federal government undertook to double the size of this fund to \$4 billion. In addition, Budget 2003 announced \$1 billion over 10 years in funding for municipal infrastructure projects, which are typically smaller in scale. Climate-change-related projects will be eligible and given particular consideration under these two initiatives.

A number of other spending and tax initiatives related to the environment, climate change and energy use have been implemented in the last three years. These are described in Section 3, “The Sustainable Development Framework for 2004–2006.”

Further, within its own operations the Department strives to minimize its ecological footprint. For example, an ongoing expansion of its Internet services has resulted in a 50-per-cent to 60-per-cent reduction in the number of paper copies of Finance publications. In the case of Budget 2003, for example, the posting of all budget documents on the Finance Web site meant that only 35,000 copies were printed, compared to 300,000 copies of various budget documents in preceding years.

In addition, the Internet availability of documents such as the *Debt Management Report* and *Tax Expenditures and Evaluations* free of charge (with a cost for paper versions) has helped to reduce the printed quantities required. Another initiative, the use of a print-on-demand service where applicable, has reduced the unnecessary printing of documents such as PowerPoint presentations.

Recent features have made the Finance Internet site a particularly attractive option for clients who, in the past, would have relied on printed documents. These include:

- An e-mail notification service alerting subscribers to new press releases, speeches, trade treaties, etc., provides new information instantly and reduces the amount of paper versions required for distribution. Growth in this service has increased significantly since it was introduced.
- A “What’s New” section, with links to original documents, encourages clients to rely on electronic versions of Finance’s most recent releases.
- By producing Internet material in HTML format, a format well suited for the special needs of users who are visually impaired, these clients are less likely to rely on printed material.

As a result of these initiatives, the Department of Finance has continued an ongoing trend away from print products and towards electronic information and communications. An indicator of the success of this strategy is the fact that the Finance Internet site receives at least 1 million hits on the day a federal budget is released (and a much higher response for budgets that contain major tax measures and similar announcements). This compares with tens of thousands of Internet hits on days without a major release.

2.1.4 Knowledge and Integration of Sustainable Development Into Decision Making

Departmental officials participated in several initiatives designed to help improve common knowledge of SD issues, facilitating a better integration of SD into decision making.

For example:

- Officials from the Department participated in the National Round Table on the Environment and the Economy’s (NRTEE) Expert Advisory Group, a steering committee for the Ecological Fiscal Reform (EFR) program, and acted as observers on various EFR working groups, including Substances of Concern, Heavy Fuel Oils and Cleaner Transportation.
- The Department was also represented on the NRTEE’s Environment and Sustainable Development Indicators Steering Committee.

- In addition, the Department participated in various interdepartmental and external events on SD and corporate social responsibility issues with regard to the financial sector in Canada and abroad. These included the annual United Nations Environment Programme (UNEP) Finance Initiative Global Roundtable in 2001, 2002 and 2003; the Triple Bottom Line Investing Conference 2002 organized by Brooklyn Bridge; and the Conference Board of Canada conference on linking SD and shareholder value in December 2002.

In response to concerns expressed by the Commissioner of the Environment and Sustainable Development, the Department also introduced a new management system to support the implementation of Finance's SDS. Full details of this management system can be found in Section 4, "Performance Measurement, Management and Accountability."

Finally, the Department introduced a new process within the Department for conducting Strategic Environmental Assessments. This will help to further ensure that environmental considerations are taken into account at an early stage in policy development.

2.2 Summary of Accomplishments

Most of the Department's activities have a long-term focus. For instance, sound fiscal management and reductions in the debt burden have allowed for significant new investments in SD that are not financed with dollars borrowed from future generations. Further, investing in environmental initiatives addresses SD by encouraging responsible management of the environment and natural resources.

The range of initiatives put in place over the past three years points to the importance of having a strong policy base to achieve sustainable development. The 2004–2006 SDS describes policy areas within the Department's mandate that we feel are important to this base. Through cooperation and coordination with other departments and consultations with external stakeholders and Canadians, the Department believes it will be able to continue to contribute effectively towards advancing sustainable development in Canada.

2.3 Key Lessons Learned

In the 2002 report of the Commissioner of the Environment and Sustainable Development (CESD), feedback was provided to departments on their strategies. The Commissioner indicated that departments were successful in developing commitments that were related to key sustainable development issues identified by the departments in their SDSs. However, the Commissioner also highlighted several areas requiring further work. These areas were the focus of the set of expectations laid out in the CESD's guidance document, *Sustainable Development Strategies: Making a Difference*:

- Commitments should be understandable and relevant.
- Clear linkages should exist between departmental targets and actions and longer-term objectives and goals.
- There is a real need for better explanation of choice of policy tools.
- The strategic role of the SDS should be strengthened to include a longer-term vision of the Canada that departments are trying to achieve.

- There should be stronger reporting on performance against commitments. This is aided when:
 - Commitments are clearly stated as a result or outcome.
 - There is a clear deliverable.
 - There are concrete performance expectations.
 - The commitment is time-bound.

The development of the 2004–2006 SDS was aided by the CESD’s guidance document and direction from the Environment and Sustainable Development Coordinating Committee. This guidance has played an important role in shaping the development and content of the 2004–2006 SDS. In response to the Commissioner, the Department has developed an SD vision. In addition, targets, where possible, have been made more concrete and time-bound. Actions to achieve the targets and expected outcomes of each target have also been specified. Further, linkages are drawn between departmental targets and objectives and the Department’s goals and long-term SD vision. Finally, commitments are made in areas where the Department can most make a difference given its core roles and responsibilities.

In preparation for the 2004–2006 SDS, the Department conducted an internal assessment of its 2001–2003 strategy, reviewed its scan of sustainable development priority issues and continued to seek stakeholder views. These activities provided the basis for further updating and refining the 2001–2003 SDS beyond the guidance set out by the CESD and the federal SDS coordinating document.

The process of conducting the assessment of the 2001–2003 SDS, developing our issue scan and hearing stakeholder comments at consultation sessions demonstrated that many objectives and key issues remain valid and relevant within the context of the 2004–2006 SDS. As such, we concluded that the objectives and key issues are appropriately long-term and strategic. The assessment, which reviewed the accomplishments and continued relevance of the 2001–2003 SDS targets, revealed that the targets were generally appropriate. For this SDS, targets have been adjusted under the main objectives identified by the issue scan to reflect the current policy context in each area and incorporate lessons learned from the assessment, consultation sessions and updated guidance from the CESD.

The key message obtained from the Department’s assessment of its past SD activities, issue scan and consultation process was that Finance contributes to sustainable development through consultation, advice, policy development, analysis and reports on progress.

2.3.1 Consultation and Advice

The Department plays an important ongoing consultative and advisory role with many federal departments, private organizations and the public on issues related to SD. The Department’s ongoing consultations are a fundamental part of its policy-making process and ensure awareness and understanding of a wide range of views on the Government’s sustainable development priorities.

For example, as a result of ongoing consultations with the private sector and stakeholders, sustainable development considerations were integrated in the development of regulations pursuant to one of the Department's recent key legislative initiatives, Bill C-8, An Act to establish the Financial Consumer Agency of Canada and to amend certain Acts in relation to financial institutions. Since March 2002 federal financial institutions with equity of over \$1 billion are required to publish an annual Public Accountability Statement (PAS) outlining their contribution to the Canadian economy and society, which includes their sustainable development practices. The development of these regulations and publication of the first PAS during the first half of 2003 were the result of consultations and dialogue with financial institutions and a variety of stakeholders.

In Budget 2001 consultations on capital cost allowance Class 43.1 were announced. Class 43.1 describes certain renewable energy and energy efficiency equipment that qualifies for an accelerated capital cost allowance rate of 30 per cent. The feedback received during the consultations was significant in terms of furthering internal analytical work and policy development. Furthermore, during 2002 the Department engaged in extensive discussions with the wind power industry to refine the definition of test wind turbines for the purposes of the Income Tax Regulations. The changes, announced on July 26, 2002, were designed to improve tax incentives for investments in renewable energy and energy conservation projects. The Department also participated in consultations organized by Natural Resources Canada on the Wind Power Production Incentive.

The importance of the Department's consultative function in pursuing SD is also manifested in spending initiatives that can result from consultative efforts. As a result, the Department's consultative function continues to be a fundamental part of its SDS.

2.3.2 Policy Development and Analysis

Many of the actions and targets set out in the past two SDSs have involved commitments to further research and analysis on a variety of issues. This is in keeping with Finance's key role of undertaking policy development, analysis and advice in furthering SD. We have found that analytical commitments lead to results that facilitate the integration of social, economic and environmental considerations into broader government policies and priorities.

For example, in the context of addressing climate change, the Department has undertaken economic research and analysis to assess the potential costs and benefits of major economic instruments, such as emissions trading, and other policy options to reduce greenhouse gas emissions. This work has been reflected in the Government's Climate Change Plan for Canada.

The communication of the results of Finance's research to other government departments and external stakeholders is an important aspect of its research and analysis agenda. A key message received from stakeholders was that Finance has a critical role to play in continuing to inform Canadians of its research results on sustainable development areas, especially in areas where the Department has specialized expertise and analytical capacity.

2.3.3 Reporting on Progress

As set out in the Department's 2001–2003 SDS, initiatives announced in federal budgets relating to sustainable development often do not specifically correspond to goals or targets in Finance's or any other department's SDS. This is a result of the fact that the budget is prepared each year and reflects the Government's priorities, making it difficult for departments to identify in advance future budget initiatives as actions or targets in their SDSs.

This situation creates a reporting gap that was addressed in the Department's 2001–2003 SDS, which reported on key sustainable development initiatives announced in budgets under the sections entitled "Key Issue #1: Building the Future" and "Key Issue #2: Integrating the Economy and the Environment."

While these sections outline initiatives announced in federal budgets, reporting on the success of these initiatives in meeting SD objectives is undertaken by the department with lead responsibility for a program's or policy's implementation. This type of reporting is complex and often requires a certain length of time to pass between the announcement and assessment of the program to ensure that the program or policy is fully implemented and enough data or information can be gathered to properly assess performance. Clearly, reporting is important for helping departments, parliamentarians and other Canadians assess the efficacy of initiatives so that continual improvements can be made.

Departments undertake reporting of initiatives through one or more avenues. For instance, all departments report annually in their Departmental Performance Report (DPR) on progress made toward the commitments in their SDSs. DPRs may also describe the outcomes or impacts of implemented budget initiatives or might indicate additional departmental reports or publications that contain more information. In addition, many departments have developed reliable indicators and set benchmarks for program objectives and report regularly on the assessment of progress.

Summaries of Finance's assessment of the 2001–2003 SDS, the spring 2003 issue scan and our consultations can be found in the annexes.

Section 3: The Sustainable Development Framework for 2004–2006

3 Introduction

Finance's third SDS is built upon the solid foundations of the 1998–2000 and 2001–2003 strategies. The four key issues upon which the framework for this SDS is based are largely carried over from our previous two strategies. These key issues have been examined by the Department and discussed in consultation sessions with both other government departments and external stakeholders. They remain appropriate to Finance's mandate and its ability to further sustainable development.

The following framework describes the Department's SD vision; provides an overview of new and continuing key issues, objectives and actions; outlines some key context changes that may affect the direction the Department takes on certain objectives; and outlines how the Department's SDS fits within the overall federal government approach to SD.

3.1 Department of Finance Sustainable Development Vision

In accordance with the expectations outlined by the Commissioner of the Environment and Sustainable Development and the federal guidance provided by the Environment and Sustainable Development Coordinating Committee, the Department of Finance has created a sustainable development vision. The vision highlights the results the Department aims to achieve and the tools it will use to achieve those results.

The Department of Finance will strive to ensure that economic and fiscal policy decisions and frameworks contribute to economic growth and enhanced quality of life and allow current and future generations to meet their economic, social and environmental needs.

3.2 Key Issues

The actions Finance plans to take over the next three years to further sustainable development are grouped under the following four key issues:

- 1. Building the Future:** Highlights how the Department contributes to intergenerational equity by demonstrating the sustainable development impacts of the Government's key priorities in areas where Finance has a mandated responsibility. Commitments in this area include improving fiscal health, solidifying major social programs and implementing some of the Government's key environmental SD priorities.
- 2. Integrating the Economy and the Environment:** Involves building on the Department's analytical foundation and broadening its knowledge base in support of progress in integrating environmental and economic considerations into tax, spending and related policies. Commitments in this area include expanding analytical abilities, conducting further analytical work on environmental issues, such as climate change, and raising awareness of the departmental process for implementing the 1999 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals.
- 3. Integrating Sustainable Development in the Global Economy:** Involves participating in efforts to address globalization of the world economy and the links to environmental concerns and international competitiveness. Commitments in this area include continuing to examine the linkages between trade and the environment and increasing knowledge of the relationship between financial services and international environmental practices. Finance will also continue to participate in preparing for and negotiating international environmental agreements.
- 4. Greening Operations:** Involves identifying and acting to address the negative environmental impacts of our operations and promoting best practices within the Department.

3.3 Evolving Policy Context

The policy landscape, both nationally and internationally, influences the nature of the commitments the Department is entering into for the 2004–2006 SDS as well as how it will go about fulfilling these commitments over the course of the commitment period.

There have been some notable changes to the policy context that have an impact on several of the objectives and targets that were laid out in the Department's 2001–2003 SDS and that continue in the 2004–2006 SDS:

- At the February 2003 First Ministers Meeting, first ministers recognized the desire to improve the transparency and accountability of federal support to the provinces and territories, and consequently agreed to restructure the Canada Health and Social Transfer to create distinct transfers for health and other social spending effective April 1, 2004.
- The federal government released the Climate Change Plan for Canada in November 2002 and ratified the Kyoto Protocol on climate change in December 2002. Finance had been actively involved in providing analytical support to other departments to inform the federal government decision concerning ratification, and had made commitments in this regard in

its 2001–2003 SDS. Federal government efforts are now turning towards implementation of the Climate Change Plan for Canada, and Finance’s policy-related and analytical commitments have been adjusted accordingly.

There are also some potential changes to the policy landscape that could occur over the next three years that could influence the 2004–2006 SDS. These include:

- Federal, provincial and territorial governments are working towards improving the equalization and Territorial Formula Financing transfers for renewal in the spring of 2004.
- Federal and provincial finance ministers are required to make best efforts to complete the next statutory financial review of the Canada Pension Plan by the end of 2005.

Finally, there are a number of federal government-wide SD initiatives that have influenced Finance’s 2004–2006 SDS. These initiatives and how they are reflected in the commitments in the 2004–2006 SDS are set out in Section 3.5, “Federal Leadership.”

3.4 Sustainable Development Action Plan for 2004–2006

The following table provides a summary of the key issues, objectives and targets that the Department will use to guide its implementation of its SDS. More detailed descriptions of the key issues, objectives and targets, as well as information regarding how the Department plans to achieve these targets and how doing so will further progress towards Finance’s overarching goals and SD vision, are set out in Section 5, “Detailed Commitments.” The evolution of the Department’s key issues and objectives from the 1998–2000 SDS to this SDS is detailed in Annex II, “Reviewing the Issue Scan.”

Key Issue	Objective	Target
1: Building the Future	1a: Maintaining a Healthy Fiscal Climate	1a.1: Continue to pursue the Government’s Debt Repayment Plan to ensure the federal debt-to-GDP (gross domestic product) ratio remains on a permanent downward track.
	1b: Building a Stronger Society	1b.1: Ensure predictable and growing funding for health and social programs. 1b.2: Improve the transparency and accountability of federal transfer support to the provinces and territories. 1b.3: Ensure fiscal disparities are addressed through the equalization and Territorial Formula Financing programs. 1b.4: Ensure the retirement income system remains sustainable and meets seniors’ needs.

Key Issue	Objective	Target
	1c: Implementing Key Federal Environmental Sustainable Development Priorities	<p>1c.1: In the context of planning for future budgets, work with other federal departments and stakeholders to identify ways to address environmental sustainable development priorities.</p> <p>1c.2: Work with other government departments to evaluate federal horizontal management of water policy.</p>
2: Integrating the Economy and the Environment	2a: Evaluating the Potential for and Developing Practical Uses of Economic Instruments	<p>2a.1: Participate in further work in cooperation with other federal departments, other governments and stakeholders on the design of a system of covenants with the large industrial emitters sector to achieve reductions in their greenhouse gas emission intensities to help further Canada's climate change objectives under the Kyoto Protocol. Additionally, the Department will participate in work on potential mechanisms to facilitate a domestic and international permit-trading system.</p> <p>2a.2: Continue to participate in the Steering Committee and as observers at working group levels with the National Round Table on the Environment and the Economy on its Ecological Fiscal Reform program over 2003–2005.</p> <p>2a.3: Continue to undertake analysis and research concerning the economic and fiscal implications of population aging.</p> <p>2a.4: Continue to keep abreast of the emerging literature related to population aging and its economic and fiscal impacts; develop and employ analytical tools (such as computable general equilibrium models, microsimulation models and econometric methods) to examine impacts associated with population aging and provide analysis of current and proposed policies.</p> <p>2a.5: Continue to evaluate research concerning environment-related tax measures. Assess the potential of proposals received from stakeholders for using the tax system to assist the Government in meeting its environmental objectives, with specific emphasis on the relative effectiveness of tax measures compared to other instruments that may be available within the context of the Government's other fiscal and policy objectives.</p>
	2b: Increasing the Knowledge Base Through Integrated Decision Making	<p>2b.1: Continue to maintain awareness of the departmental process for implementing the 1999 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals (Strategic Environmental Assessment).</p> <p>2b.2: Conduct research and analysis on environmental and natural resource issues.</p>

Key Issue	Objective	Target
3: Integrating Sustainable Development in the Global Economy	3a: Participating in Negotiating International Environmental Agreements	<p>3a.1: Support initiatives to enhance the understanding of linkages between Multilateral Environmental Agreements and trade rules.</p> <p>3a.2: Collaborate with other government departments on Canada's ongoing approach to international negotiations and activities on climate change, focusing primarily on economic and fiscal issues under negotiation.</p>
	3b: Integrating the Environment Into Future Negotiations on Trade and Investment Agreements	<p>3b.1: In conjunction with the Department of Foreign Affairs and International Trade (DFAIT), examine trade and environment linkages in the context of the World Trade Organization and trade negotiations.</p> <p>3b.2: With DFAIT and Industry Canada, strive to promote free trade in the environmental sector and continue to review specific requests to remove tariffs unilaterally where they are identified as a significant disincentive to the acquisition of environmental technology products.</p>
	3c: Involving International Financial Institutions	<p>3c.1: Work with other donor governments during the 14th replenishment of the World Bank/International Development Association's (IDA14) financing for the world's poorest countries to ensure that sustainable development issues remain high priorities (the replenishment negotiations are expected to begin in early 2004, with the three-year replenishment period to become effective in July 2005).</p> <p>3c.2: Undertake consultations in 2004 with interested Canadian non-governmental organizations to exchange views on how best to support sustainable development within the IDA14 negotiations and within the international financial institutions more broadly.</p> <p>3c.3: Work with the Executive Boards of the World Bank and European Bank for Reconstruction and Development to support operations that promote sustainable development.</p>
	3d: Increasing knowledge and understanding of the relationship between financial services and international environmental practices	<p>3d.1: Participate in upcoming events such as the annual UNEP Finance Initiative Global Roundtable and other corporate social responsibility events.</p>

Key Issue	Objective	Target
	3e: Maintaining a dialogue with federal financial institutions on sustainable development and corporate social responsibility with a view to continually improving the annual Public Accountability Statements	3e.1: Maintain open dialogue with representatives of financial institutions on Public Accountability Statements.
	3f: Informing and educating others interested in sustainable development on the merits of the Public Accountability Statements	3f.1: Participate in various interdepartmental and external events.
4: Greening Operations	4a: Enhancing awareness of the environmental impacts of our operations and encouraging employee and management adoption of best practices	4a.1: Increase the proportion of employees participating in the ongoing promotion of SD principles in the workplace to 20 per cent by 2006. ³
	4b: Developing tools and guides and maintaining existing programs to support the implementation of best practices	4b.1: Develop a tracking system to determine the baseline and benchmarks for the recommendation of environmentally preferred products and services by 2006.
		4b.2: Develop and implement a strategy to reduce resource consumption by 2005.

³ From a 12-per-cent baseline of employees who participated in a Finance-endorsed event in 2003.

⁴ From a baseline of 1,300 requests for information on the Greening the Office intranet site in 2002–03.

3.5 Federal Leadership

Leadership for sustainable development across the federal community is vested in the Deputy Minister level Environment and Sustainable Development Coordinating Committee (ESDCC). This committee, co-chaired by the deputy ministers of Environment Canada and Natural Resources Canada, has been tasked with providing guidance to departments in working toward SD.

The ESDCC provides a focal point for SD in the federal government and direction for affected departments to follow. Federal departments work together on many horizontal initiatives in implementing their SD strategies. However, the Auditor General Act clearly gives ministers and their respective departments individual authority and responsibility for the pursuit of sustainable development. Thus, each department remains accountable for its own commitments and activities.

The ESDCC provided guidance to federal government departments in the preparation of the 2004–2006 round of SDSs to ensure consistency in strategies across government.

Departments were also encouraged to make reference in their individual strategies to how their SDS commitments support government-wide SD initiatives.

Finance has played and will continue to play a role in moving forward on important horizontal federal initiatives such as:

Sustainable Development in Government Operations/Federal House in Order

To inspire Canadians to work towards sustainable development, the Government must demonstrate leadership and commitment in its own operations. To date the Sustainable Development in Government Operations (SDGO) initiative has focused on assisting departments in the integration of sustainable approaches and actions in their day-to-day activities; coordination of targets related to sustainability of operations; the improvement of the capacity to implement green practices; and, ultimately, uniform measurement and collective reporting against progress on greening government operations. The Federal House in Order initiative provides an opportunity for the Government of Canada to exercise leadership on climate change.

The Department of Finance contributes to this initiative through its objectives under key issue #4: Greening Operations. Finance has adjusted its operational priorities to coincide with the SDGO task group's guidelines, and is striving to incorporate suggested performance measures. To accomplish this goal, Finance will continue to enhance employee awareness of the environmental impact of departmental operations and encourage employee and management adoption of best practices. The Department will also develop tools and guides and maintain existing programs to support the implementation of best practices. These objectives guide the Department in its efforts to create a corporate culture that is aware of its actions and their consequences, and the best practices that exist to help ensure the workplace is clean and employees are environmentally conscious.

The Federal Role on Water

Canada has substantial water resources and a range of water resource management challenges. Many actions to meet these challenges reflect the increasing use of integrated water resource management approaches for freshwater and marine environments. Coordinating our research to build and share our knowledge base and working with communities within Canada and around the world demonstrate the federal government's commitment to the availability of clean freshwater for our citizens and for our global neighbours. An interdepartmental Assistant Deputy Minister (ADM) level committee has been established to provide direction towards this end.

The Department of Finance has a part to play in the federal role on water. As is outlined in target 1c.2, the Department will participate in the ADM-level Interdepartmental Committee on Water to evaluate federal horizontal management of water policy.

Implementation of International Commitments From the World Summit on Sustainable Development

A coordinated federal action plan for the Johannesburg Plan of Implementation (JPOI), endorsed by Heads of State at the World Summit on Sustainable Development (WSSD) in South Africa in 2002, presents a significant opportunity for the federal government to address challenges specific to Canadian implementation efforts. Canada's sustainable development efforts domestically must be situated in the context of current Canadian foreign development assistance, and within our economic, social and environmental policies and priorities. The implementation of Canadian commitments and our continued participation in the UN Commission on Sustainable Development work plan can become a creative and effective vehicle for realizing the Canadian vision for sustainable development.

Since WSSD Canada has made concrete progress on several of the globalization and financing commitments under the JPOI. For example, Budget 2003 confirmed that the International Assistance Envelope will increase by 8 per cent annually in each of the next two fiscal years, consistent with the Government's commitment to double the assistance budget by 2010. As of January 1, 2003, Canada is providing duty-free and quota-free access for all products from the least developed countries, with the exception of supply-managed dairy and poultry products. Canada has maintained its active role in continuing efforts to improve the Heavily Indebted Poor Countries (HIPC) Initiative, including making a new contribution to the IDA-administered HIPC Trust Fund. Canada is working through the Group of Seven (G-7) process and at international institutions to improve creditor participation in the HIPC Initiative, and is part of G-7 and Paris Club efforts to define a new approach for non-HIPC low- and middle-income countries to tailor debt treatment to their debt sustainability needs. Canada is also working with international institutions and the G-7 on issues of general relevance to the orderly resolution of financial crises.

Through actions outlined in its 2004–2006 SDS, the Department of Finance will further the fulfillment of WSSD commitments. For example, the Department will be participating in the International Development Association's 14th replenishment negotiations, and Canada's position at these negotiations will be coordinated with our WSSD commitments (see Section 5.3.3). The Department will also continue to consider trade and environment linkages in World Trade Organization negotiations, and stay engaged in trade negotiations with developing countries and regions, consistent with WSSD commitments (see Section 5.3.2).

Additionally, in response to the WSSD recommendation to encourage financial institutions to incorporate sustainable development considerations into their decision-making process, the Department has a role to play in ensuring a better understanding of existing practices. Finance's activities that further this objective are detailed in sections 5.3.4, 5.3.5, and 5.3.6. These sections outline the objectives of: increasing knowledge and understanding of the relationship between financial services and international environmental practices; maintaining a dialogue with federal financial institutions on sustainable development and corporate social responsibility with a view to continually improving the annual Public Accountability Statements; and informing and educating others interested in sustainable development on the merits of the Public Accountability Statements.

Finally, in accordance with the priorities outlined in the WSSD Plan of Implementation, the Department will be evaluating research concerning environment-related tax proposals, including those relating to promoting energy systems compatible with sustainable development. For example, the Department will continue its ongoing review of the class of renewable energy and energy efficient equipment eligible for accelerated capital cost allowances to encourage a more efficient use of fossil fuels and the use of renewable and alternative energy sources (see Section 5.2.1).

Section 4: Performance Measurement, Management and Accountability

4 Introduction

The October 2001 report of the Commissioner of the Environment and Sustainable Development assessed departments' SDS management systems against a standard of best practices, including record keeping, internal review and reporting, performance targets and monitoring of implementation. The Commissioner's view was that Finance did not present sufficient evidence that the management of sustainable development was adequately addressed.

In response to these concerns, the Department has developed and implemented an enhanced management system to support the implementation of the Department's SDS. The management system includes strengthened leadership; improved structures to help ensure effective planning, implementation, record keeping and central coordination; and management review and scope for corrective actions.

This section sets out how the Department measures and tracks its targets at the working level, how the strategy is managed within the Department and how accountability is structured. It also outlines how the Department reports on its progress towards its SDS commitments.

4.1 Focused Leadership

The Assistant Deputy Minister of the Department's Economic Development and Corporate Finance Branch, who is the Department's SD champion, has the responsibility for overseeing the development and implementation of Finance's SDS and also acts as a focal point for other government-wide SD issues.

4.2 Effective Planning, Implementation, Record Keeping and Central Coordination

The Resources, Energy and Environment Section of the Economic Development and Corporate Finance Branch, under the general direction of the Department's SD champion, coordinates departmental SD management, policy and activities. The main coordination vehicle is the

Sustainable Development Working Group (SDWG), which consists of officials from all branches and is chaired by the Chief of the Resources, Energy and Environment Section. SDWG's mandate includes:

- Dealing with horizontal sustainable development issues.
- Developing the 2004–2006 SDS.
- Managing commitments set out in past SDSs.

SDWG is responsible for coordinating the implementation of SDS commitments within the various branches at Finance, and contributes to reporting plans and progress on these commitments. The group does this by helping prepare the Department's Report on Plans and Priorities (RPP) and its Departmental Performance Report (DPR), as well as annual reports to the Department's SD champion and the Departmental Coordinating Committee (DCC). DCC is a senior committee comprising general directors from each branch and other senior officials, and is responsible for broad policy coordination within the Department.

The Resources, Energy and Environment Section also performs the following central functions:

- Preparing the SDS component of the RPP and DPR.
- Keeping a record of SDWG activities and coordinating other cross-cutting SD activities of the Department.
- Maintaining an up-to-date summary document showing progress of SDS implementation across the Department.
- Preparing progress reports to the SD champion, DCC and other senior management as required.

4.3 Management Review and Scope for Corrective Action

As mentioned above, management review of SDS implementation is achieved by reporting annually to DCC. This helps to ensure appropriate senior management engagement and to provide direction on the development of new targets and commitments. It also allows senior management an opportunity to review the progress, check the focus, and consider any recommendations for alternative actions to implement the SDS. DCC, in addition to reviewing this annual progress report, is the venue for:

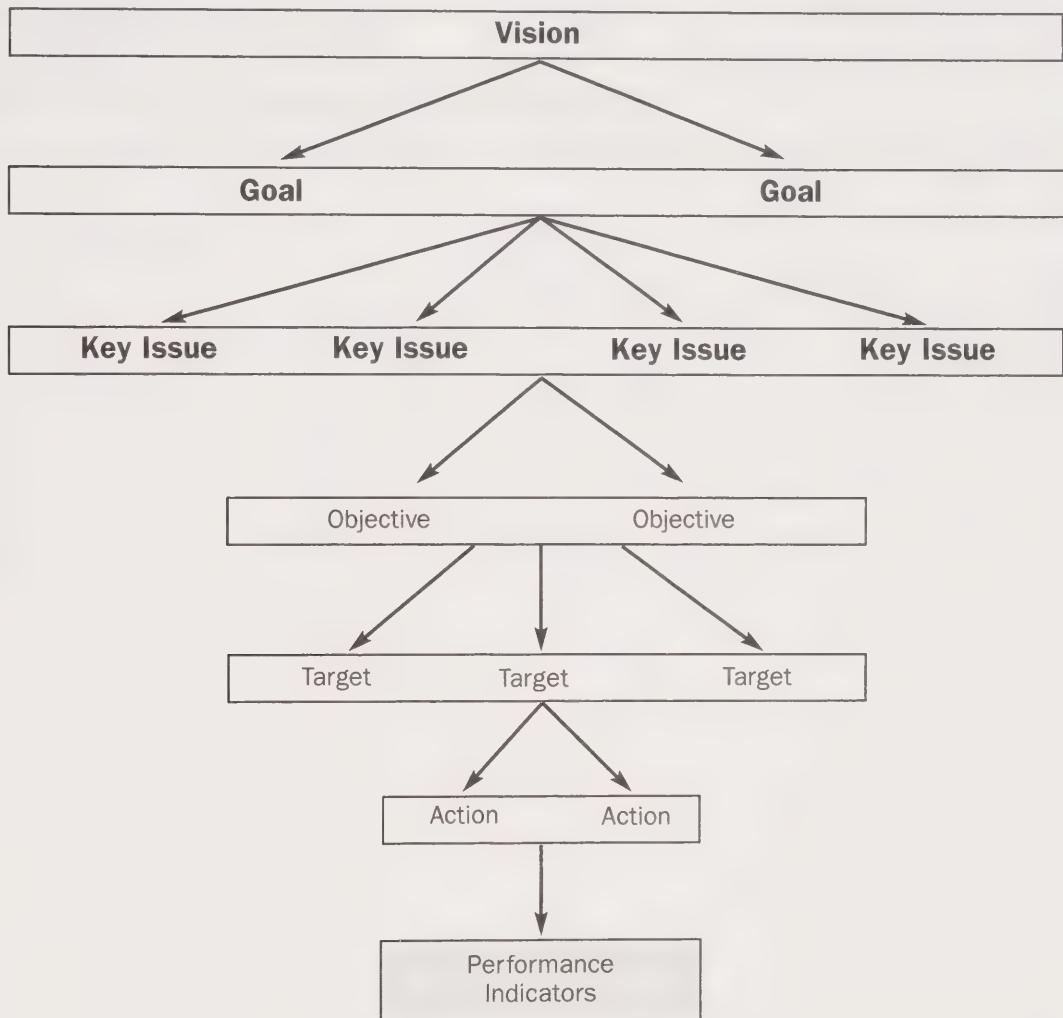
- Reviewing and approving the RPP and DPR.
- Reviewing any relevant outputs related to SDS implementation, such as reports or guides.
- Considering any other materials or recommendations from SDWG.

4.4 Reporting on Progress

A progress report on the implementation of the SDS will be provided annually in the DPR. All departments, including Finance, table a DPR before Parliament each fall reporting on the status of activities that were outlined in the previous spring's RPP. When reporting on the implementation of commitments in the SDS, the DPR will report progress in the context

of performance indicators that have been identified for a number of the strategy's objectives. These performance indicators are highlighted throughout the 2004–2006 SDS. Figure 1 sets out how the indicators fit within the hierarchy of key issues, objectives and targets and outlines the links between the goals and vision and the targets and actions committed to in this strategy.

Figure 1: Logic Chain—From Vision and Goals to Targets and Actions



To the extent that budget initiatives related to sustainable development are implemented, they will be included generally in Finance's overall reporting on SD, with special note of the Department, agency or other organization that will be responsible for implementation. Finally, various branches in the Department will also seek opportunities to report on progress in meeting sustainable development objectives in other relevant annual reporting documents or through other special reports.

Section 5: Detailed Commitments

5 Introduction

The following subsections set out in detail the Department's key issues, objectives and targets. Each key issue is followed by a brief description outlining its meaning. Under each key issue, links are outlined between the objectives and targets relating to that issue and the departmental SD vision and goals. A description of each objective under the key issue is provided and, if the objective is carried over from the 2001–2003 SDS, the progress that the Department has made towards achieving this objective is reported. If the objective is new for the 2004–2006 SDS, a rationale for its inclusion in this document is put forth. Finally, for each departmental target, the document outlines the actions that the Department will be taking to achieve the target and how achieving the target will further SD, and notes, where appropriate, any performance indicators associated with the target.

5.1 Key Issue #1: Building the Future

“Building the Future” profiles Finance’s role in implementing some of the Government’s key SD priorities. It involves taking actions to shape the future. Achievement of the targets, detailed below, to ensure that the debt-to-GDP (gross domestic product) ratio is kept on a permanent downward track, that fiscal disparities are addressed through the equalization and Territorial Formula Financing programs, and that the retirement income system remains sustainable will help the Department achieve its goal of intergenerational equity through effective fiscal management and strong social programs. Working with other federal government departments and stakeholders to identify ways to achieve SD priorities in the context of budget planning will also contribute to SD through the implementation of targeted initiatives through the budget process.

The key objectives in support of Building the Future—maintaining a healthy fiscal climate, building a stronger society and implementing key federal environmental SD priorities—and their related targets will also contribute to the achievement of the Department’s SD vision. In particular, targets which commit to the use of economic and fiscal policy decisions, such as budget preparation and the management of transfer payments, will promote economic growth and allow future generations to meet their environmental, social and economic needs.

5.1.1 Objective 1a: Maintaining a Healthy Fiscal Climate

The Government has made substantial progress in reducing Canada's debt. The Organisation for Economic Co-operation and Development expects that Canada will continue to be the only G-7 country to record a surplus in both 2003 and 2004, and also expects Canada's debt burden to be the second lowest in the G-7 this year. Reducing debt raises living standards by increasing national savings and investment; promotes intergenerational equity by ensuring that future generations are not burdened by higher taxes or higher debt; and promotes macroeconomic stability by increasing the flexibility of fiscal and monetary policy to respond to economic shocks. The objective of the Department will be to continue to undertake research and analyze measures necessary to support the Government's overarching commitment to fiscal sustainability in support of long-run economic growth and higher living standards, as well as intergenerational fairness.

Progress

Despite the volatile economic environment of the last three years, the Government made considerable ongoing progress in reducing the federal debt-to-GDP ratio.

This progress was the result of prudent management of the nation's finances, which was one of the contributing factors in ensuring that the foundation was laid for encouraging productivity, job creation and higher standards of living.

Overall, the federal government recorded a budgetary surplus (based on full accrual accounting) of \$7.0 billion in 2002–03. This marked the sixth consecutive year the federal budget has been in surplus. As a result, the federal debt (as measured by the accumulated deficit) has been reduced by \$52.3 billion since 1996–97. This reduction in debt, coupled with sustained economic growth, has resulted in a decline in the federal debt-to-GDP ratio to 44.2 per cent in 2002–03 from its peak of 68.4 per cent in 1995–96. The November 2003 *Economic and Fiscal Update* projects a surplus of \$2.3 billion in 2003–04.

Targets for 2004–2006

Target 1a.1: Continue to pursue the Government's Debt Repayment Plan to ensure the federal debt-to-GDP ratio remains on a permanent downward track.

Canada's federal debt-to-GDP ratio remains high historically. As a result, debt-servicing costs continue to absorb a substantial portion of government revenues. In this context, the target of keeping the federal debt-to-GDP ratio on its downward track continues to be a priority for the Department and the Government. In the long run, this priority reflects the Government's commitment to the overarching goal of fiscal sustainability in support of economic growth and intergenerational fairness.

This priority will be achieved by continuing with the prudent approach to managing the Government's finances by setting two-year rolling balanced budgets, backed by the Contingency Reserve. The Contingency Reserve, if not needed, will reduce the federal debt.

However, for 2003–04, the Government will provide up to the first \$2 billion of it for health care spending at the time when the 2003–04 results are finalized.

Given this approach, the federal debt-to-GDP ratio (based on full accrual accounting) is expected to fall to about 40 per cent by 2004–05.

Performance Indicator

- The performance of the above SD action can be based on the indicator of a debt-to-GDP ratio on a permanent downward track.

5.1.2 Objective 1b: Building a Stronger Society

“Building a Stronger Society” involves strengthening key social programs, such as health care, education and the Canada Pension Plan (CPP), to sustain Canadian society and to bolster Canada’s economic advantage.

Progress

The Department has made significant achievements in meeting this objective over the past several years by:

- Implementing commitments from the 2000 first ministers’ agreements on health renewal and early childhood development.
- Ensuring fiscal disparities are addressed through the equalization and Territorial Formula Financing programs.
- Implementing in January 2003 the final step of the 1997 federal-provincial Canada Pension Plan reform package, which is expected to ensure the sustainability of the CPP for the next 50 years.
- Introducing legislation on the transfer of all CPP assets remaining with the federal government to the CPP Investment Board over a three-year period, completing the investment policy action.
- Completing a triennial review of the CPP in December 2002.

Targets for 2004–2006

Target 1b.1: Ensure predictable and growing funding for health and social programs.

The Department will ensure that the planned increases in transfer payments, as part of the 2003 First Ministers’ Accord on Health Care Renewal, will be implemented to accelerate the reform of the health care system in order to guarantee its sustainability over the long term.

Under the new Canada Health and Social Transfer (CHST) legislative framework set out in the 2003 budget, cash transfers will grow to \$20.825 billion in 2003–04, \$21.475 billion in 2004–05 and \$21.65 billion in 2005–06. The new framework also establishes transfer funding levels until 2007–08, with a notional framework in place until 2010–11, by which time cash transfers will have doubled from their 2000–01 levels.

Starting in 2003–04 the Federal-Provincial Relations Division will administer the new five-year, \$16-billion Health Reform Transfer, which is designed to accelerate health reform in priority areas.

The new CHST legislative framework in the 2003 budget ensures predictable, growing and sustainable federal funding for health and social programs. It supports the historic First Ministers' Accord on Health Care Renewal of February 2003, in which federal, provincial and territorial governments committed to a range of initiatives aimed at ensuring real and lasting change for the health care system, including annual public reporting to monitor progress toward reform. These investments demonstrate that the federal government is committed to ensuring that future generations of Canadians continue to have access to universal, quality care—care that is based on need, not on the ability to pay.

Target 1b.2: Improve the transparency and accountability of federal transfer support to the provinces and territories.

The restructuring of the CHST, effective April 1, 2004, into two new transfers, the Canada Health Transfer (CHT) and the Canada Social Transfer (CST), will take place with consultations with the provinces and territories to improve the transparency and accountability of federal transfer support.

Target 1b.3: Ensure fiscal disparities are addressed through the equalization and Territorial Formula Financing programs.

The renewal of both the equalization and Territorial Formula Financing programs in 2004 will ensure that fiscal disparities will continue to be addressed, so that the less prosperous regions of Canada will have an enhanced capacity to meet their current and future social, economic and environmental needs.

Target 1b.4: Ensure the retirement income system remains sustainable and meets seniors' needs.

The Department will monitor developments and make adjustments when necessary or in the context of the CPP's 2004–2006 review, in concert with the provincial co-stewards of the Plan.

Federal and provincial finance ministers are committed to make best efforts to review CPP finances and make recommendations on contribution rates and benefits by the end of 2005.

The CPP triennial review process ensures that Plan finances are reviewed regularly and that any necessary adjustments are made in a timely manner. The review process ensures Canadians can have confidence in the sustainability of the public pension system in Canada.

5.1.3 Objective 1c: Implementing Key Federal Environmental Sustainable Development Priorities

As previously discussed, the Department is responsible for preparing the federal budget. In carrying out its central agency role, Finance provides policy analysis and advice to departments on new policy and spending proposals developed for the Government's consideration. In addition, the Department meets with and receives budget submissions from stakeholders, which the Department reviews and analyzes. These ongoing activities help guide the federal government's approach to sustainable development as reflected in new budget initiatives.

Progress

The objective of implementing key federal sustainable development priorities was included in the Department's 2001–2003 SDS. During that time period, the Department contributed to the development of a series of key sustainable development expenditure initiatives, which were announced in various federal budgets. For example:

Initiative	Federal budget	Administered by/ in cooperation with
<p>Green Municipal Funds</p> <ul style="list-style-type: none"> Funding for both the Green Municipal Enabling Fund (GMEF) and the Green Municipal Investment Fund (GMIF) was doubled from \$25 million to \$50 million and \$100 million to \$200 million respectively. The GMEF is designed to help municipalities determine the feasibility of and best approaches to renewable energy, building retrofits, water conservation, waste management and urban transit. The GMIF is a revolving fund to support projects in areas such as energy and water savings, urban transit and waste diversion in communities. 	2001	Environment Canada, Federation of Canadian Municipalities and Natural Resources Canada
<p>Wind Power Production Incentive</p> <ul style="list-style-type: none"> Up to \$260 million in funds was provided for a 15-year program to encourage wind energy projects in Canada. 	2001	Natural Resources Canada
<p>Urban infrastructure research centre</p> <ul style="list-style-type: none"> New funding of \$10 million over five years was provided to establish an urban infrastructure research centre at the University of Saskatchewan in Regina. 	2003	National Research Council Canada

Initiative	Federal budget	Administered by/ in cooperation with
Agriculture Policy Framework (APF) and bridge funding	June 2002 announcement	Agriculture and Agri-Food Canada
<ul style="list-style-type: none"> As part of a \$5.2-billion, six-year commitment to a new APF, the federal government will work with provinces, farmers and other stakeholders to develop new environmental farm planning and management practices. 		
Climate change	2003	<ul style="list-style-type: none"> Building on the \$1.7 billion the federal government has invested in climate change initiatives since 1997, \$1.7 billion in funding was provided for cost-effective measures to reduce greenhouse gas emissions in Canada in such areas as energy efficiency, renewable energy, sustainable transportation and new alternative fuels over the next five years.
Environmental science	2003	Canadian Meteorological and Oceanographic Society
<ul style="list-style-type: none"> Funding of \$50 million was provided to the Canadian Foundation for Climate and Atmospheric Sciences to further strengthen Canada's climate research capacity, including research related to northern Canada. 		
Promoting environmental technology	2003	Sustainable Development Technology Canada
<ul style="list-style-type: none"> An additional \$250 million was provided to Sustainable Development Technology Canada to help stimulate the development and demonstration of new environmental technologies, particularly those aimed at reducing greenhouse gases, such as fuel cells. 		
Protecting the environment and ecosystems	2003	Fund administered by the Treasury Board Secretariat
<ul style="list-style-type: none"> New funding of \$175 million over two years was provided to establish a centrally managed fund of ongoing resources to address the highest-risk federal contaminated sites. 		

Initiative	Federal budget	Administered by/ in cooperation with
<ul style="list-style-type: none"> • New funding of \$40 million over two years was provided to promote best practices and develop regulations to address air pollution in Canada and to work with the United States to further improve transborder air quality. 	2003	Environment Canada, Health Canada, Industry Canada, Natural Resources Canada and Transport Canada
<ul style="list-style-type: none"> • Funding of \$75 million was provided to better assess and manage toxic substances through programs under the Canadian Environmental Protection Act. 	2003	Environment Canada and Health Canada
<ul style="list-style-type: none"> • New funding of \$33 million over two years was provided to implement the Species at Risk Act. 	2003	Environment Canada, Health Canada, Fisheries and Oceans Canada and Parks Canada
<ul style="list-style-type: none"> • Funding of \$13 million was provided for the World Summit on Sustainable Development Plan of Implementation for activities in areas such as international health and environmental initiatives, and international partnerships addressing forestry and sustainable cities. 	2003	Environment Canada, Department of Foreign Affairs and International Trade, Health Canada and Industry Canada
<ul style="list-style-type: none"> • New funding of \$600 million over the next five years to upgrade, maintain and monitor water and wastewater systems on First Nations reserves. 	2003	Health Canada and Indian and Northern Affairs Canada
<ul style="list-style-type: none"> • An investment of \$74 million to establish 10 new parks and 5 new marine conservation areas, and implement a plan to restore the ecological health of existing parks. 	2003	Parks Canada
<ul style="list-style-type: none"> • New funding of \$2 billion to create the Canada Strategic Infrastructure Fund to provide cost-shared assistance to large infrastructure projects in areas such as water and wastewater treatment, and local transportation. 	2001	Infrastructure Canada
<ul style="list-style-type: none"> • New funding of \$2 billion to double the size of the Canada Strategic Infrastructure Fund to \$4 billion. 	2003	Infrastructure Canada

Targets for 2004-2006

Target 1c.1: In the context of planning for future budgets, work with other federal departments and stakeholders to identify ways to address environmental sustainable development priorities.

The Department will work with other federal departments through interdepartmental working groups and committees to identify and develop possible measures to address environmental sustainable development issues. The Department will also meet with and assess submissions received from stakeholders on their recommended environmental budget initiatives.

Target 1c.2: Work with other government departments to evaluate federal horizontal management of water policy.

Consistent with the overall federal priority of focusing on the federal role in freshwater, the Department will participate in an Assistant Deputy Minister level Interdepartmental Committee on Water. This committee, which reports to the Environment and Sustainable Development Coordinating Committee, will direct a stock-taking exercise of federal programs across departments that relate to water and will identify potential gaps. The lessons learned from this exercise would then be used to inform the possible development of a renewed federal water policy. Initial recommendations on potential future federal priorities in this area are expected in 2004. As well, the experience gained during the investigation of gaps in this key cross-cutting issue can be applied more generally to help identify other possible areas of federal action in a future comprehensive federal SDS.

Achievement of this target will make tangible the steps that need to be taken towards achieving the Government's overall SD goals.

5.2 Key Issue #2: Integrating the Economy and the Environment

“Integrating the Economy and the Environment” involves building on the Department’s analytical foundation and knowledge base in support of more fully integrating environmental and economic considerations into policy decisions. This issue involves reflection and analysis with an eye to guiding the policies implemented under key issue #1.

The targets in this area, detailed below, which commit to research and analysis on economic issues, instruments, and environmental and economic policy issues, and encourage early consideration of environmental issues in economic decision making to the extent possible, will help the Department achieve its goal of more fully integrating economic, social and environmental objectives into policy making. The Department’s key objectives in this area and their related targets will also serve to achieve the Department’s SD vision by using the Department’s analytical and policy capacity to help shape an economy that accommodates today’s policy priorities of the Government and allows future generations to meet their environmental, social and economic needs.

5.2.1 Objective 2a: Evaluating the Potential for and Developing Practical Uses of Economic Instruments

As recently described by the Organisation for Economic Co-operation and Development, economic (or market-based) instruments rely on making environmental improvements more rewarding for the polluter in financial or economic terms. For example, implemented as charges, taxes, deposit-refund systems, tradeable permit systems or subsidies (when used appropriately), they represent incentives for polluters to invest in environmental improvements. As such, economic instruments have the potential to change the way producers and consumers make choices in relation to investment and consumption decisions, for example. In addition, market-based mechanisms can help achieve environmental objectives at a lower cost than policies that rely strictly on regulatory approaches because decentralized decision making by affected firms, organizations and individuals will generally lead to the allocation of scarce resources in a more efficient manner.

Progress

On an ongoing basis, the Department of Finance reviews stakeholder proposals regarding economic instruments. Specifically, this review includes: an evaluation of the environmental objective to be achieved; a careful examination of all of the possible tools available to the Government to achieve this objective (e.g. regulations, voluntary agreements, economic instruments); and an analytical process that looks at all of these options to determine which is best suited for the objective at hand.

For example, in recent years the potential for using tradeable permits has been examined in the context of Canada's agreement under the Kyoto Protocol to reduce its greenhouse gas emissions to 6 per cent below their 1990 levels by 2008–2012. Canada ratified the Protocol in December 2002.

Building on the work of the Tradeable Permits Working Group, which had previously been established as a part of the multi-stakeholder National Climate Change Process, a domestic emissions trading analysis group was established by the Climate Change Secretariat in the fall of 2001 to conduct and coordinate work on emissions trading under the federal-provincial-territorial climate change process. Finance participated in analytical work on emissions trading in 2002–03 through its participation in interdepartmental groups as well as the federal-provincial-territorial Domestic Emissions Trading Working Group (DETWG). The DETWG released its report to federal, provincial and territorial ministers of energy and the environment in 2002.

The analysis of the DETWG was reflected in the federal government's Climate Change Plan for Canada. The Plan features the use of a variety of instruments, including voluntary measures, efficiency standards, covenants and domestic emissions trading to achieve Canada's targets under the Kyoto Protocol.

In the context of this work, the Department also participated in various interdepartmental meetings focused on the analysis and econometric modelling of different policy options to address climate change, to assess the potential impacts of a significant domestic emissions trading mechanism.

Further, the Department has enacted several measures in recent budgets that use economic instruments to help achieve environmental goals. For example:

- Consistent with the treatment of ethanol in gasoline, the Government has enacted a measure announced in Budget 2003 that exempts the ethanol or methanol portion of blended diesel fuel from the federal excise tax on diesel fuel.
- Similarly, the Government has also enacted a measure from Budget 2003 that exempts bio-diesel, which is produced from biomass or renewable feedstocks, from the federal excise tax on diesel fuel when it is used as a motive fuel or blended with regular diesel fuel.
- The Government also announced in Budget 2003 a measure that broadens capital cost allowance Class 43.1 eligibility to include certain stationary fuel cell systems, equipment acquired for electricity generation using bio-oil (created from biomass found in forestry and plant residues), and certain types of equipment used in greenhouse operations, such as ground source heat pumps.

The Department has also recognized new challenges that require research and analysis. For example, the issue of the economic and fiscal implications of population aging was not on the agenda of the 2001–2003 SDS and is a new addition to the 2004–2006 SDS. With the retirement of the baby boom generation, the key policy challenge will be labour shortages. To better understand this challenge, Finance has begun to:

- Review the demographic transition and projections behind the aging story in Canada, taking note of the interprovincial differences and the aging situation in other industrialized countries.
- Describe the key macroeconomic and fiscal linkages with population aging, with a summary of the main messages in the literature.

Finally, officials from the Economic Development and Corporate Finance Branch participated in the National Round Table on the Environment and the Economy's Expert Advisory Group, a steering committee for the Ecological Fiscal Reform (EFR) program, and acted as observers on various EFR working groups, including Heavy Fuel Oils. Currently branch officials are participating in a new EFR working group, which will examine EFR options for reducing, from a long-term perspective, carbon emissions from Canadian energy systems.

Targets for 2004–2006

Target 2a.1: Participate in further work in cooperation with other federal departments, other governments and stakeholders on the design of a system of covenants with the large industrial emitters sector to achieve reductions in their greenhouse gas emission intensities to help further Canada's climate change objectives under the Kyoto Protocol. Additionally, the Department will participate in work on potential mechanisms to facilitate a domestic and international permit-trading system.

Finance will work with other government departments to further the implementation of the Climate Change Plan for Canada, including the design of an effective covenants and emissions trading system. This tool can be a cost-effective way for Canada to achieve greenhouse gas reductions.

Target 2a.2: Continue to participate in the Steering Committee and as observers at working group levels with the National Round Table on the Environment and the Economy on its Ecological Fiscal Reform program over 2003–2005.

Officials from the Economic Development and Corporate Finance Branch will continue to participate in the National Round Table on the Environment and the Economy EFR program at the Steering Committee and as observers at working group levels. Participation in the EFR program provides economic and fiscal policy guidance to other participants, which promotes informed debate in their development of recommendations. As well, participation in the program assists in building knowledge within the Department, which assists in the evaluation of economic instruments as potential tools and policy options for the federal government.

Target 2a.3: Continue to undertake analysis and research concerning the economic and fiscal implications of population aging.

Target 2a.4: Continue to keep abreast of the emerging literature related to population aging and its economic and fiscal impacts; develop and employ analytical tools (such as computable general equilibrium models, microsimulation models and econometric methods) to examine impacts associated with population aging and provide analysis of current and proposed policies.

Future fiscal decisions are shaped by our ongoing management of the fiscal and economic impacts associated with an aging population and the integration of these considerations into policy making.

The priority for the Department will be to continue working on this issue to acquire a better understanding of the complex effects of aging, of the kinds of policy changes that may be required and of the experience of other countries in addressing similar challenges.

In particular, we will contribute to the Policy Research Initiative's population aging and life-course flexibility project.

Target 2a.5: Continue to evaluate research concerning environment-related tax measures. Assess the potential of proposals received from stakeholders for using the tax system to assist the Government in meeting its environmental objectives, with specific emphasis on the relative effectiveness of tax measures compared to other instruments that may be available within the context of the Government's other fiscal and policy objectives.

The Department will develop and issue a framework setting out the general parameters and criteria that guide the Department in the assessment of proposals to use the tax system to achieve sustainable development objectives. In addition to providing this framework, the Department will develop examples illustrating the application of these criteria to specific proposals.

Making public a document outlining key tax policy evaluation criteria will make it easier for stakeholders to understand both the Department's assessment process vis-à-vis proposals for using the tax system and the budget-making process overall.

5.2.2 Objective 2b: Increasing the Knowledge Base Through Integrated Decision Making

Making good decisions and creating sound government policy requires information on all aspects of an issue to be available and considered. Economic, social and environmental considerations must be contemplated and often balanced against one another through an examination of the relative costs and benefits. The Department of Finance has the capacity to interpret and analyze data on issues that are most related to its core internal policy responsibilities, such as economic and fiscal issues. It can also access externally housed knowledge, whether from other federal departments and agencies, other governments, the private sector or domestic and international institutions. However, as more and more issues are of a cross-cutting nature, the Department has placed renewed focus on strengthening its internal capacity and knowledge base in respect of environmental considerations in policy making to ensure that all aspects of SD are duly examined when making policy decisions.

Progress

Departmental officials represented the Department on the National Round Table on the Environment and the Economy's Environment and Sustainable Development Indicators (ESDI) Steering Committee. The ESDI program final report was released in May 2003.

To help increase the Department's knowledge base of external practices, a case study on different nations' use of assistance for green power was completed in December 2002 and was distributed within the Department. Additionally, a centrally held inventory of economic research on the links between the new economy and the environment was completed in the fall of 2002 and is available on the Department's intranet. It will be continually updated to ensure that the most recent articles on the new economy and the environment are available to Finance staff.

In addition, the Department launched a new process to raise awareness of and guide officials in implementing the 1999 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals, which requires departments to fully integrate environmental considerations at an early stage in policy development.

Targets for 2004–2006

Target 2b.1: Continue to maintain awareness of the departmental process for implementing the 1999 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals (Strategic Environmental Assessment).

The Department will request an annual briefing from the Canadian Environmental Assessment Agency open to all officers to maintain departmental awareness of the Strategic Environmental Assessment (SEA) Directive and remain up to date on SEA developments. An annual update on progress of SEA implementation within the Department will also be made to the General Director level Departmental Coordinating Committee to promote senior management awareness of the process and related results. The Department will also keep up-to-date information on the departmental process for conducting SEAs, which is available on Finance's intranet and is provided to new employees as part of their orientation package.

These outputs should ensure continued awareness of the Directive and the Department's process for its implementation. An SEA is a useful tool for helping the Department attain the goal of more fully integrating economic, social and environmental considerations and objectives into policy-making decisions.

Performance Indicator

- The number of SEAs conducted by the Department will be tracked and monitored. As the Department has only recently launched a new process for conducting SEAs, periodic reviews will take place to ensure that the Directive is being implemented as effectively as possible.

Target 2b.2: Conduct research and analysis on environmental and natural resource issues.

Reports and discussion papers on environmental and natural resource issues will be produced and disseminated within the Department and, where appropriate, to other government departments and stakeholders. Achievement of this target will result in an increased level of awareness and understanding of environmental and natural-resource-based issues that confront the Government of Canada.

5.3 Key Issue #3: Integrating Sustainable Development in the Global Economy

“Integrating Sustainable Development in the Global Economy” involves addressing globalization by increasing the Department's understanding of environment/trade linkages and international competitiveness through work with other departments and international institutions.

The objectives of participating in negotiating international environmental agreements, integrating the environment into future negotiations on trade and investment agreements and involving international financial institutions, and their related targets, serve to help ensure that environmental considerations are fully integrated into policy making within the international context. The objectives in respect of the financial sector's SD and corporate social responsibility activities serve to promote transparency while at the same time addressing stakeholder expectations and sustaining shareholder value. Accordingly, achievement of our targets in this area will contribute to the Department's goal of continually striving to more fully integrate economic, social and environmental considerations into policy making. This in turn furthers the attainment of Finance's SD vision by contributing to economic growth and an enhanced quality of life, and allowing current and future generations to meet their environmental, social and economic needs.

5.3.1 Objective 3a: Participating in Negotiating International Environmental Agreements

Participating in negotiating international environmental agreements involves addressing globalization by increasing the Department's understanding of environment/trade linkages and international competitiveness through work with other departments and international institutions.

It is important for Canada to show leadership and engagement on environmental issues by being thoroughly involved in the negotiation of international environmental agreements. Global environmental issues such as climate change can only be successfully addressed in a multilateral fashion.

Progress

Over the past three years the Department has:

- Participated in the development of the Canadian position for multilateral discussions on the relationship between existing World Trade Organization (WTO) rules and trade obligations set out in Multilateral Environmental Agreements (MEAs), as called for in the Doha Ministerial Declaration.
- Attended the resumed sixth Conference of the Parties in Bonn, Germany, in July 2001, and has continued to participate in interdepartmental discussions on the Kyoto Protocol implementation. The international negotiations in Marrakesh and Bonn in 2001 were successful in establishing the rules for implementing the Kyoto Mechanisms: the Clean Development Mechanism and Joint Implementation. These mechanisms provide countries with the option to access emissions reductions in other countries if domestic reductions are deemed to be too costly. Agreement was also reached regarding the science behind carbon sinks, allowing Canada to claim greenhouse gas emission reductions due to sound management practices with regard to our agricultural soils and forests.

Targets 2004–2006

Target 3a.1: Support initiatives to enhance the understanding of linkages between MEAs and trade rules

The Department will continue to pursue this target by participating in the development of Canada's position for WTO discussions on the relationship between MEAs and WTO rules. The outcome is anticipated to be a strengthened understanding of the interplay of MEAs and WTO trade rules.

This target reflects the Department's SD goal of integrating economic, social and environmental considerations into policy making.

Target 3a.2: Collaborate with other government departments on Canada's ongoing approach to international negotiations and activities on climate change, focusing primarily on economic and fiscal issues under negotiation.

The Department will participate in interdepartmental working groups and committees to develop Canada's approach to international climate change negotiations and activities. Suggestions received from stakeholders will also be reviewed and analyzed. The anticipated outcome of participating in interdepartmental discussions will be Canada's implementation of the Kyoto Protocol consistent with Canada's international trade rights and obligations.

International negotiations on emission reduction targets for the second commitment period of the Kyoto Protocol are due to begin no later than 2005. Departmental work will proceed in advance, using fiscal and economic analysis to ensure that realistic and cost-effective future targets are considered for the second Kyoto commitment period.

5.3.2 Objective 3b: Integrating the Environment Into Future Negotiations on Trade and Investment Agreements

As an active participant in multilateral trade and investment negotiations, the Department has opportunities to enhance sustainable development by enhancing market access through trade liberalization or trade disciplines that minimize trade-distortive practices. Market access, in turn, allows Canadian firms to enhance their competitiveness and consumers to access new and better-quality products and services at competitive prices, including environment-related products and services such as clean technologies and environmental management services.

Progress

This objective is carried over from the previous SDS. In the three years since the last SDS, the Department has:

- Participated in the development of the Canadian position in multilateral negotiations on trade and the environment, as called for in the Doha Ministerial Declaration.
- Monitored and participated in the work of the WTO Committee on Trade and Environment.
- Participated in the development of Canadian positions with respect to negotiations to reduce or, as appropriate, eliminate tariff and non-tariff barriers to environmental goods and services.

Targets 2004–2006

Target 3b.1: In conjunction with the Department of Foreign Affairs and International Trade (DFAIT), examine trade and environment linkages in the context of the WTO and trade negotiations.

The World Summit on Sustainable Development Plan of Implementation calls for examining the relationship between trade, the environment and development, and for strengthening regional and trade agreements among developed and developing countries. The Department will continue to participate in the development of Canada's positions at WTO negotiations. The Department is also involved in the Free Trade Area of the Americas and other trade negotiations.

The outcome of this target is anticipated to be a strengthened understanding of trade and environment linkages in trade negotiations.

Target 3b.2: With DFAIT and Industry Canada, strive to promote free trade in the environmental sector and continue to review specific requests to remove tariffs unilaterally where they are identified as a significant disincentive to the acquisition of environmental technology products.

The Doha Declaration calls for negotiations on the reduction or, where appropriate, the elimination of tariff and non-tariff barriers on environmental goods and services. The Department will continue to provide input into Canada's position on this issue at the WTO. These negotiations, if successfully concluded, will also allow developing countries greater access to environmental technology.

5.3.3 Objective 3c: Involving International Financial Institutions

The Department of Finance works with the International Monetary Fund (IMF), World Bank and European Bank for Reconstruction and Development (EBRD) to advance sustainable development goals within these institutions' operations and policies. Canada is an important participant in these institutions and uses its influence to further sustainable development both at home and abroad, although Canada can neither dictate international financial institution (IFI) policies nor assure specific IFI policy outcomes. Performance indicators to measure progress on

the Department's objectives are not easily defined, as meeting our objectives is largely dependent upon international consensus and the actions of the independent managements of the institutions. Broadly speaking, the Department's work with the IFIs is conducted on two levels: (a) ensuring that the institutions are helping to promote strong economic and financial frameworks within countries and internationally that will allow developing country governments to direct needed resources to sustainable development and (b) ensuring that the IFIs advance sustainable development at the level of individual development projects.

Progress

The Department of Finance has provided views to the IMF, World Bank and EBRD on key macroeconomic policy documents, including Country Assistance Strategies. Finance paid particular attention to environmental issues in country and sector strategy discussions. In Executive Board discussions of World Bank Country Assistance Strategies, the Canadian Executive Director stressed the importance of mainstreaming environmental considerations into World Bank country programming. In the fall of 2002, the Canadian Executive Director at the World Bank supported revisions to the Bank's forestry strategy that were aimed at improving the quality of environmental protection. In 2001 Canada increased the level of its contribution to the Global Environmental Facility to \$160 million over four years (compared to \$122 million over the previous four-year period). Within the context of the 13th replenishment of the International Development Association (IDA), the Department of Finance pressed for stronger attention to environmental issues and for stronger representation of borrowing countries in the discussions of IDA operational priorities.

Within the context of the G-20 finance ministers and central bank governors as well as within the IMF, Canada promoted ways to strengthen the international community's ability to reduce the probability of international financial crises. Within the World Bank and EBRD, Canada supported a stronger focus on alternative energy. The Canadian Executive Director at the World Bank was actively involved in the creation of the Prototype Carbon Fund, which finances projects that produce greenhouse gas emissions reductions that can be registered with the United Nations Framework Convention on Climate Change.

Progress was also made in 2001-2003 on increasing the focus on sustainable development issues in the Department's annual reports to Parliament on the operations of the Bretton Woods Institutions (IMF and World Bank) and EBRD.

At the country level Canada actively supported the Poverty Reduction Strategy Paper process, under which developing country governments establish developmental and environmental policy priorities in close cooperation with civil society and development partners.

The Department of Finance expanded its coverage of environmental and sustainable development issues in its annual reports to Parliament on Bretton Woods Institution and EBRD operations.

Targets for 2004–2006

Target 3c.1: Work with other donor governments during the 14th replenishment of the World Bank/International Development Association's (IDA14) financing for the world's poorest countries to ensure that sustainable development issues remain high priorities (the replenishment negotiations are expected to begin in early 2004, with the three-year replenishment period to become effective in July 2005).

While the Department of Finance will continue to work with IFIs to promote macroeconomic stability in the international financial system and within developing countries, this target ties our actions specifically to the IDA 14 negotiations, where Canada's roughly 3.75-per-cent donor contribution gives it a strong voice in the setting of IDA operational priorities. The Department of Finance will also take into account links to good governance, respect for human rights and property rights, and community-led development initiatives, which have much broader positive impacts on sustainable development. Indeed, Canada's position in the replenishment negotiations will be coordinated with our broader development cooperation strategy and our commitments to sustainable development undertaken at the 2002 World Summit on Sustainable Development. Success in promoting these goals can be assessed against the final IDA Deputies Report, which will list IDA's operational priorities for the 2005–2007 period.

Target 3c.2: Undertake consultations in 2004 with interested Canadian non-governmental organizations to exchange views on how best to support sustainable development within the IDA14 negotiations and within the international financial institutions more broadly.

This target follows from the previous one. It is a concrete manifestation of the Department's commitment to seek the views of Canadian civil society organizations when formulating its position on how best to promote sustainable development during the upcoming IDA14 negotiations.

Target 3c.3: Work with the Executive Boards of the World Bank and EBRD to support operations that promote sustainable development.

This target recognizes that the Department of Finance cannot directly influence outcomes at the IFIs. It commits the Department to continuing to work closely with our Executive Directors at the World Bank, IMF and EBRD to advance the goal of sustainable development in the operations of these institutions. The Department will continue to consult with civil society in developing its approaches to the IFIs. Moreover, the Department will continue to take a strong interest in ensuring that the IFIs provide support for development priorities identified by developing countries themselves in Poverty Reduction Strategy Papers (PRSPs).

PRSPs have overtaken the Comprehensive Development Framework in the international development field. In the coming years water will likely assume greater prominence in the activities of the IFIs, and the Department will develop its position on this critical resource issue in close consultation with other government departments and civil society. Again, with respect to the IFIs, the Department will continue to stress the importance of good governance, respect for human rights and property rights, and the need to consult with the poor.

Canada's ongoing efforts to support the mainstreaming of environmental, social and sustainable development issues into the work of the IFIs are to promote IFI projects and policies that will increase the prospects for future generations in developing countries to enjoy improved environmental, social and economic conditions.

While it would be difficult to measure the specific impact of the Department of Finance's policy advice on IFI activities, the Operations Evaluation Department of the World Bank does measure the degree to which World Bank projects meet their development goals. We would look forward to an increase in Bank project effectiveness as measured by the Operations Evaluation Department over the 2004–2006 period.

5.3.4 Objective 3d: Increasing Knowledge and Understanding of the Relationship Between Financial Services and International Environmental Practices

One way that the Department can sustain its efforts with respect to sustainable development is to increase its knowledge of what is being done internationally regarding financial services sustainable development and environmentally sound financial practices.

Progress

The Department participated in various events on sustainable development and corporate social responsibility such as the UNEP Finance Initiative Global Roundtable in 2001, 2002 and 2003, the Triple Bottom Line Investing Conference in 2002 and the Conference Board of Canada conference on linking SD and shareholder value in 2002. For example, the Finance Initiative from UNEP, through its activities, provides meeting opportunities for private sector institutions, governments, non-governmental organizations and the scientific community around the world to share experiences and best practices.

Targets for 2004–2006

Target 3d.1: Participate in upcoming events such as the annual UNEP Finance Initiative Global Roundtable and other corporate social responsibility events.

By building our knowledge of SD practices with respect to financial institutions, the Department will be in a better position to develop new initiatives in order to more fully integrate economic, social and environmental practices in the financial sector.

5.3.5 Objective 3e: Maintaining a Dialogue With Federal Financial Institutions on Sustainable Development and Corporate Social Responsibility With a View to Continually Improving the Annual Public Accountability Statements

The new Public Accountability Statement (PAS) regulations that came into force on March 21, 2002, require that federal financial institutions with equity over \$1 billion report annually on their contribution to Canada's economy and society. The Department will maintain a dialogue with financial institutions to ensure that the quality of the reports is further improved over the years.

Progress

The Department played a key role in ensuring that SD and corporate social responsibility considerations were integrated in the development of the PAS regulations pursuant to one of the Department's key legislative initiatives, Bill C-8. The Department also initiated a dialogue with financial institutions on these regulations, which resulted in reports of good quality. The first round of statements was published in the first half of 2003. The Department wants to build on this achievement to encourage the improvement of the quality of the reports over time.

Targets for 2004–2006

Target 3e.1: Maintain open dialogue with representatives of financial institutions on Public Accountability Statements.

The Department will continue to work with financial institutions in order to continually improve the PAS over time.

Achievement of this objective and target will raise awareness of SD in the financial sector.

5.3.6 Objective 3f: Informing and Educating Others Interested in Sustainable Development on the Merits of the Public Accountability Statements

The financial sector is the only sector with a regulatory requirement to report on sustainable development and corporate social responsibility issues. The Department will inform interested parties of this new requirement in various fora both in Canada and abroad.

Progress

The first round of PAS's has now been produced, and reports have shown interesting initiatives from financial institutions. The new PAS regulations generated a certain level of interest in the SD community. As a result, the PAS was the subject of some discussion at the UNEP Finance Initiative Global Roundtable in Tokyo in October 2003 as an example of development of best practices in the financial sector. This was done in collaboration with a major Canadian financial institution.

Targets for 2004–2006

Target 3f.1: Participate in various interdepartmental and external events.

The Department will seize opportunities to inform interested stakeholders about the PAS regulations. Achievement of this objective and target will raise awareness of SD in the financial sector.

5.4 Key Issue #4: Greening Operations

For the Department of Finance to realize its vision of allowing future generations to meet their environmental, social and economic needs, the Department must also examine its own operations and be a leader in incorporating sustainable development principles internally. By using all resources (energy, water, material and land) efficiently and minimizing waste, as well as creating awareness about protecting the natural environment, the Department can contribute to creating a healthy environment for generations to come. By implementing practical, cost-effective solutions to greening our operations, the Department will contribute directly to our goal of effective fiscal management through cost savings to the Department and will help to preserve our natural capital. Raising awareness of sustainable development will put employees in a better position to make broad environmentally conscious policy decisions, and will help to create a corporate culture that is able to implement best practices not only in the workplace, but in the community and at home.

5.4.1 Objective 4a: Enhancing Awareness of the Environmental Impacts of Our Operations and Encouraging Employee and Management Adoption of Best Practices

Creating a corporate culture that recognizes the impact of its operations is an ongoing process. Progress can only be made by continuing to promote the use of SD principles in the workplace and community. Ensuring the availability of relevant materials on greening initiatives, policies and achievements will help management and employees gain the knowledge to make educated choices. The Department will continue to expand interactive activities, such as Earth Day and Environment Week, to ensure that more employees are aware of, and are encouraged to adopt, best practices.

Progress

The Department of Finance was successful in creating a communications strategy to underpin its awareness initiatives. This strategy contributed to planning events such as Environment Week and Earth Day, which were valuable vehicles to reach employees with an environmental message for the workplace, home and the community. Employee participation in Finance-endorsed events, such as Earth Day and Environment Week, has increased from 3 per cent to 16 per cent of employees over the past three years. Finance also reported the highest proportion of employees government wide participating in the National Commuter Challenge in its size class.

Targets for 2004–2006

Target 4a.1: Increase the proportion of employees participating in the ongoing promotion of SD principles in the workplace to 20 per cent by 2006.⁵

To achieve this target, the Department will take the following actions:

1. Develop an internal green citizenship network. By engaging employees directly in greening efforts, we will create an exchange of ideas and increase the number of individuals promoting greening initiatives in the workplace.
2. Develop awareness modules for best practices and new green policies (fleet, procurement, and facilities management).
3. Promote Earth Day and Environment Week.

Performance Indicator

- Proportion of employees participating in Finance-endorsed events such as Earth Day and Environment Week
- Proportion of employees participating in the Green Citizenship Network

Target 4a.2: Increase the number of requests for materials on greening initiatives, policies and achievements by 30 per cent by 2006.⁶

To achieve this target, the Department will take the following actions:

1. Revise its Web page to create a virtual resource centre for employees to access greening information.
2. Incorporate a green office awareness module into the orientation session for new employees.

Performance Indicator

- Number of requests on the Greening the Office intranet site

⁵ From a 12-per-cent baseline of employees who participated in a Finance-endorsed event in 2003.

⁶ From a baseline of 1,300 requests for information on the Greening the Office intranet site in 2002–03.

5.4.2 Objective 4b: Developing Tools and Guides and Maintaining Existing Programs to Support the Implementation of Best Practices

In order to accomplish their greening goals, employees must be given tools and means to put their knowledge to work. The Department of Finance has a number of initiatives in place to aid employees in reducing any negative impacts of their activities on the environment. Resource consumption was identified as an area in need of formal program development, and represents an arena for Finance to make a significant reduction in its ecological footprint. A strategy will be drafted and implemented to promote best practices in resource consumption, especially in paper and individual user energy consumption.

Procurement continues to be a priority at the Department of Finance. We will continue to encourage the purchase of environmentally preferred products and services by maintaining our partnership with lead departments to identify further training opportunities. Our procurement and accommodation officers will also encourage the purchase of environmentally preferred products and services by providing environmentally preferred options for employee purchasing and project needs when available.

Progress

All environmental management programs were documented and reviewed, establishing procedures for monitoring and measuring progress. Baselines were established where appropriate performance measures could be determined, and benchmarks were set in the relevant priority areas identified by the Sustainable Development in Government Operations (SDGO) task group: solid waste, fleet and energy use. By installing multi-material recycling centres on every floor and in conference rooms, providing each employee with paper recycling bins and reducing individual waste bins to small side-saddle bins, and promoting special programs such as battery and pantyhose recycling, Finance has achieved a 72-per-cent diversion of material from the waste stream. (This result may be compared to the data compiled by the SDGO task group, which reports a 52-per-cent diversion in the 11 departments participating in the Federal House in Order initiative over the same time period). An inventory of regulated substances within the Department of Finance was established, and is being used to monitor halons used in dry fire protection systems and coolants from late model refrigerators.

A *Greener Procurement Guide* has been developed for internal distribution as an online publication. The Department has partnered with Public Works and Government Services Canada to provide training to our acquisition cardholders. The training was initiated by the end of 2003.

Targets for 2004–2006

Target 4b.1: Develop a tracking system to determine the baseline and benchmarks for the recommendation of environmentally preferred products and services by 2006.

To accomplish these targets, Finance will undertake the following actions:

1. Partner with lead departments to provide green procurement training and determine methods of tracking by 2004.
2. Develop a baseline for the number of environmentally preferred products and services recommended by the Department's purchasing and facilities officers by 2005.
3. Set a benchmark for increasing the recommendation of environmentally preferred products and services by 2006.

Performance Indicator

- Per cent of solutions providing environmentally preferred options

Target 4b.2: Develop and implement a strategy to reduce resource consumption by 2005.

To achieve this target, the Department will develop and implement a strategy to reduce resource consumption. Features of the strategy may include:

1. Review the current level of resource consumption in paper and office equipment.
2. Replace approximately 90 per cent (from 2,800 to 300 copies) of hard copy Ottawa–Gatineau city directories with electronic versions by 2005.
3. Establish baseline measures by identifying current paper procurement practices.
4. Default core copiers and printers to double-sided printing.
5. Encourage reuse of supplies internally.
6. Ensure all recommended hardware is energy star compliant.
7. Deliver awareness campaigns for energy and water conservation and waste diversion.
8. Partner with Public Works and Government Services Canada to obtain performance measurement data in energy, waste management and water consumption.

ANNEX I

Assessment of the 2001–2003 Sustainable Development Strategy

In the spring of 2003, the Department prepared an assessment of its 2001–2003 SDS to help guide the development of the 2004–2006 SDS. The assessment investigated:

1. What has the Department achieved through its 2001–2003 SDS?
2. What has changed?
3. What needs to be done differently?
4. Did the goals, objectives and targets go far enough in furthering sustainable development and is the 2001 strategy suitable as a basis for the 2004–2006 strategy?
5. How has the SDS influenced other planning documents and strategies?

The assessment aided the Department in determining how best to meet the expectations of the Commissioner of the Environment and Sustainable Development (CESD) for the 2004–2006 SDS. It was distributed to stakeholders and other departments prior to the Department's first set of consultations in June 2003.

Key Lessons Learned

The process of assessing the Department's 2001–2003 SDS was highly useful in clarifying the approach taken by the Department towards sustainable development. It helped the Department determine which targets and objectives continue to be relevant, and which need to be modified to reflect the evolving policy context or better meet the CESD's expectations for the 2004–2006 round of SDSs. It also highlighted the continued importance of analysis and consultation to the mainly policy-setting activities of the Department.

General Conclusions

As a central agency, the Department has minimal involvement in the implementation of programs and services that have a direct impact on sustainable development. Rather, the Department plays a large role in policy analysis of sustainable development issues, and provides advice and comments to many federal departments and other stakeholders, particularly in the context of reviewing budget proposals related to taxes and spending. These activities allow the Department to remain aware of a wide range of views on options for the sustainable development priorities of the Government. As such, many of the commitments outlined in the 2001–2003 SDS related to analysis, research and consultations on various issues.

Commitments relating to analysis and consultation are most relevant under the key issue of Integrating the Economy and the Environment. Included under this issue were commitments to examine the tax system for its impacts on sustainable development, develop practical uses of economic instruments and increase the knowledge base for the purposes of integrating sustainable development issues into decision making. These types of commitments are necessary to ensure sound government policy. The results are reflected in initiatives such as an expansion

of tax measures designed to ensure appropriate tax treatment for new renewable energy and energy conservation investments and new funding for government strategies such as the Climate Change Plan for Canada.

While it has been noted by the CESD and others that commitments dealing with consultations and analysis are not easily quantifiable for the sake of measuring progress, the Department believes that commitments of this nature are highly important, contribute to the integration of priority sustainable development issues into overall government policy, and reflect the areas where the Department can play its most significant role given its core roles and responsibilities. However, it was accepted by the Department that an effort should be made to make targets as measurable as possible in the 2004–2006 SDS.

Specific Observations

The assessment of the 2001–2003 SDS demonstrated that many of the Department's commitments remain relevant in today's context. The Department's continued commitment to many of these targets in its 2004–2006 SDS demonstrates that it continues to strive for improvement on sustainable development issues within its mandate. Key conclusions reached from the Department's assessment of its commitments under each key issue are provided below.

Key Issue #1: Building the Future

The 2001–2003 SDS reinforced the importance of a healthy fiscal climate to the ability of future generations to meet their needs. Through debt repayment, predictable and growing funding for health and social programs and a stable public pension system, the Department is able to help promote intergenerational equity. The Department's commitment to these objectives is also identified in its Report on Plans and Priorities, which sets out the key areas of work for the Department each year.

The Department also demonstrated its commitment to working towards a stable and well-managed environment. For example, the Department contributed through policy advice, analytical work and research to the development of the Climate Change Plan for Canada. This role is well suited to the Department's central agency function. The Department also provided funding for many sustainable development initiatives, such as funding to address federal contaminated sites and improve air quality.

Also highlighted in the assessment was the variety of sustainable development initiatives that were announced in recent budgets. The reporting on sustainable development initiatives in the assessment document, as well as in the 2004–2006 SDS, is important to provide a complete picture of government actions to promote SD as it is not possible for departments to identify future budget initiatives as actions or targets in their sustainable development strategies.

Key Issue #2: Integrating the Economy and the Environment

It was noted that this area was one where the Department was able to play an active role that fit extremely well with its mandate. The Department evaluates, analyzes and conducts research on economic instruments such as tax measures and emissions trading systems. This groundwork helps the Department in its formulation and provision of sound policy advice regarding how to strengthen economic performance and further environmental ends. The Department also

participated in work led by other organizations, such as the National Round Table on the Environment and the Economy, to explore ways to use fiscal policy as a tool to better achieve environmental goals.

The Department also conducted research and analysis to further its knowledge to allow for better evaluation of future policy decisions. For example, the Department prepared a case study on different nations' use of assistance for green power and compiled an inventory of economic research on the links between the new economy and the environment. The assessment highlighted the importance of continuing this work, and stressed that better communication of the results would be beneficial.

Although not included as a specific target in the Department's 2001–2003 SDS, senior officials at Finance implemented a new process within the Department for conducting Strategic Environmental Assessments, in recognition of the fact that Finance could improve the framework it uses to help ensure that environmental considerations are fully taken into account in the early stages of policy development.

Key Issue #3: Integrating Sustainable Development in the Global Economy

The Department participated in many international activities related to sustainable development. The assessment revealed that while many targets remain relevant, some could have been made more specific. Additionally, progress towards targets, such as that of working with international financial institutions (IFIs) to further sustainable development, are challenging to measure as Canada can only provide advice, and IFI decisions are the result of negotiation among close to 200 shareholders.

Key Issue #4: Greening Operations

As a non-custodial department, the Department of Finance has limited control over many of the greening operations priorities suggested by the Sustainable Development in Government Operations (SDGO) task group. Encouraging employees to follow best practices in their day-to-day activities has proven to be the most effective method under departmental control to reduce the negative environmental impacts of operations. Effective communication has been and will continue to be integral to achieving enhanced awareness of this impact.

Considering the Department's limitations, significant achievements have been made in both awareness-building activities and the implementation of programs designed to aid employees in greening the Department's operations. Employee participation in Finance-endorsed events, such as Earth Day and Environment Week, has increased from 3 per cent to 16 per cent of employees over the past three years. Finance also reported the highest proportion of employees government wide participating in the National Commuter Challenge in its size class. By installing multi-material recycling centres on every floor and in conference rooms, providing each employee with paper recycling bins and reducing individual waste bins to small side-saddle bins, and promoting special programs such as battery and pantyhose recycling, Finance has achieved a 72-per-cent diversion of material from the waste stream. This result may be compared to the data compiled by the SDGO task group, which reports a 52-per-cent diversion in the 11 departments participating in the Federal House in Order initiative over the same time period.

ANNEX II

Reviewing the Issue Scan

One of the principles of developing sustainable development strategies is that departments approach sustainable development through the lens of their own mandates. To assist departments, the 1995 guidance document, *A Guide to Green Government*, included an overview of the Government's priority SD objectives and proposed the use of an "issue scan," through which each department could focus its departmental lens on the priority sustainable development impacts of its activities, policies and programs.

The Department prepared issue scans prior to developing each of its last two SDSs. Similarly, it prepared a new issue scan in the spring of 2003, which reported the main activities and key sustainable development priorities for each branch in the Department. Some of the main priorities included:

- Maintaining a healthy economic and fiscal climate to ensure that the Government can continue to promote social sustainability, environmental sustainability and quality of life.
- Ensuring new government policies are cost-effective and consistent with fiscal responsibility.
- Providing ongoing analysis, research and advice on economic and fiscal policy issues that have an important bearing on sustainable development, including population aging, greenhouse gas emissions and economic policy, and the sustainability of the Canada Pension Plan.
- Assessing the potential contribution of tax measures in assisting the Government in meeting its environmental objectives.
- Furthering the implementation of the 1999 Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals, which works to ensure that environmental impacts are taken into account in decision making on policy proposals initiated by the Department.
- Monitoring initiatives taking place at the international level, in other countries and in institutions such as the Organisation for Economic Co-operation and Development.
- Improving the Department's understanding of trade and environment issues in the face of increasing globalization and looking for opportunities in international fora to promote sustainable development of the world economy.
- Ensuring the stability of the retirement income system.
- Ensuring sustainable social development by investing in children, addressing fiscal disparities among the provinces and territories, and working with the provinces and territories in setting priorities to optimize social policy efficiency.
- Ensuring predictable and growing federal funding for health and social programs to help build and maintain a strong society and improve the quality of life of Canadians.

- Raising awareness of the Public Accountability Statement regulations, which apply to federal financial institutions with equity of more than \$1 billion and cover issues such as sustainable development and corporate social responsibility.
- Providing a retail debt program that provides a unique opportunity for government to educate Canadians about the benefits of saving for themselves and generates domestically the capital required by businesses to invest in new infrastructure and technologies of a knowledge-based economy. This in turn may allow Canadian businesses to more easily make the transition from a natural-resource-based economy to a knowledge-based economy and prosper, thus generating sustainable economic growth.
- Providing a safe, secure, environmentally responsible and productive work environment by educating employees and encouraging them on an ongoing basis to implement best practices on environmental issues related to paper consumption, procurement, waste management, energy efficiency, fleet and water efficiency.
- Expanding the Department's Internet services to reduce the number of paper copies of Finance publications.

Through the 2003 SD issue scan, guidance from the Commissioner of the Environment and Sustainable Development, consultation sessions with other government departments and stakeholders, and the Department's internal assessment and experience, the Department developed the following key issues and objectives for the 2004–2006 SDS relative to those in the 1998–2000 and 2001–2003 SDSs.

The following table illustrates the evolution of key issues, objectives and priorities over time. While some have changed to reflect new policy contexts or different priorities, the fact that many have remained constant over the three strategies indicates that these key issues and objectives are strategic and long term.

1998–2000 SDS	2001–2003 SDS	2004–2006 SDS
Building the Future <ul style="list-style-type: none"> • Maintaining a healthy fiscal climate • Prospering in a knowledge-based economy • Building a strong society • Ensuring the tax system contributes to a strong economy and strong society 	Building the Future <ul style="list-style-type: none"> • Maintaining a healthy fiscal climate • Building a strong society • Implementing key federal SD priorities 	Building the Future <ul style="list-style-type: none"> • Maintaining a healthy fiscal climate • Building a stronger society • Implementing key federal environmental SD priorities
Integrating the Economy and the Environment <ul style="list-style-type: none"> • Using the tax system • Reducing/eliminating subsidies • Developing practical uses of economic instruments • Reforming legislative and regulatory frameworks 	Integrating the Economy and the Environment <ul style="list-style-type: none"> • Using the tax system • Developing practical uses of economic instruments • Integrated decision making: increasing the knowledge base 	Integrating the Economy and the Environment <ul style="list-style-type: none"> • Evaluating the potential for and developing practical uses of economic instruments • Increasing the knowledge base through integrated decision making
Participating in the Global Economy <ul style="list-style-type: none"> • Negotiating international environmental agreements • Negotiating future international trade and investment agreements • Developing environmental assessment guidelines for export credit agencies • Involving international financial institutions 	Sustainable Development in the Global Economy <ul style="list-style-type: none"> • Participating in negotiating international environmental agreements • Integrating the environment into future negotiations on trade and investment agreements • Developing environmental guidelines for export credit agencies • Working with international financial institutions • Increasing knowledge and understanding of international environmental financial practices 	Integrating Sustainable Development in the Global Economy <ul style="list-style-type: none"> • Participating in negotiating international environmental agreements • Integrating the environment into future negotiations on trade and investment agreements • Involving international financial Institutions • Increasing knowledge and understanding of the relationship between financial services and international environmental practices • Maintaining a dialogue with federal financial institutions on sustainable development and corporate social responsibility with a view to continually improving the annual Public Accountability Statements • Informing and educating others interested in sustainable development on the merits of the Public Accountability Statements

1998–2000 SDS	2001–2003 SDS	2004–2006 SDS
Greening Operations <ul style="list-style-type: none">• Procurement• Communications	Greening Operations <ul style="list-style-type: none">• Enhance awareness of the environmental impact of our operations• Develop tools and implement programs to support best practices	Greening Operations <ul style="list-style-type: none">• Enhancing the awareness of the environmental impacts of our operations and encouraging employee and management adoption of best practices• Developing tools and guides and maintaining existing programs to support the implementation of best practices

ANNEX III

Consultations on the 2004–2006 Sustainable Development Strategy

Consultations with stakeholders are a key part of the Department's Sustainable Development Strategy process. Finance held two separate sessions during our first round of consultations in June 2003. These sessions helped ensure that stakeholder views on the direction and content of the 2004–2006 SDS were considered early in the process, as the Department moved forward in developing final objectives and targets for the next three years. A second round of consultations was held on a draft version of the Department's 2004–2006 SDS in October 2003.

The June 2003 sessions involved separate sessions with representatives from other government departments and with representatives of external stakeholders. At these events stakeholders were invited to comment on Finance's assessment of its 2001–2003 SDS, an issue scan of priority SD issues for the 2004–2006 period and an initial set of objectives for the 2004–2006 SDS. Overall, consultation participants generally agreed with Finance's assessment of its 2001–2003 SDS and supported the issues and objectives that had been proposed to form the foundation of the 2004–2006 SDS. They also clearly recognized and accepted that Finance's key role, as a central agency, is to review policy and program proposals from other government departments, focusing primarily on fiscal and economic issues and that, as such, Finance has limited direct involvement in delivering programs or services to Canadians. For this reason, it was noted that the Department's emphasis on analytical and policy development work is a correct and appropriate role for the Department.

It was stressed that the overarching goals proposed for the 2004–2006 SDS are highly relevant: promoting intergenerational equity through effective fiscal management, and continually striving to more fully integrate economic, social and environmental considerations and objectives into policy making. With respect to effective fiscal management, a decreasing debt-to-GDP ratio was seen as very important. Finally, several suggestions were received regarding areas for future commitment by Finance through actions such as research and analysis, particularly in the area of economic instruments.

The comments and feedback received during these sessions helped guide the Department in developing the 2004–2006 SDS. For example, the Department was advised during the sessions that other government departments and external stakeholders were unclear on how Finance evaluates tax proposals to promote sustainable development suggested by other groups or departments. To help achieve more open communication with governmental and non-governmental stakeholders, the Department decided that it will make available a document outlining the functioning of the tax policy process and how it links to furthering the Government's sustainable development objectives.

For the October 2003 consultations, the Department distributed a draft version of the 2004–2006 SDS to other government departments and a wide range of interested stakeholders. Feedback from this round of consultations was helpful in confirming the strength of the Department's overall SD goals for the strategy. Other government departments and stakeholders were particularly supportive of the Department's commitment to evaluate research concerning environment-related tax measures. Input also supported Finance's view of the importance of working with other departments and stakeholders to achieve results in our priority areas. Finally, the need to make targets as measurable as possible was reinforced.

